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Freeman
Ideas on Liberty

JUNE 1985

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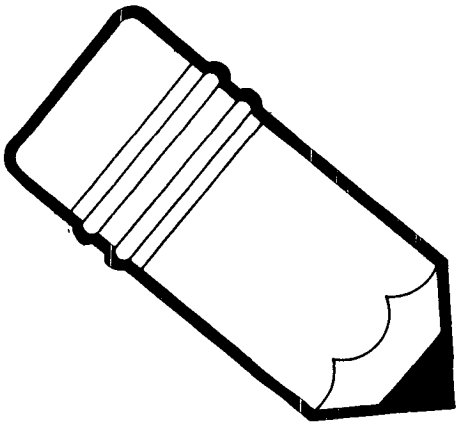

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A MONTHLY JOURNAL OF IDEAS ON LIBERTY

FOUNDATION FOR ECONOMIC EDUCATION
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THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

The costs of Foundation projects and services are met through donations. Total expenses average $18.00 a year per person on the mailing list. Donations are invited in any amount. THE FREEMAN is available to any interested person in the United States for the asking. For foreign delivery, a donation is required sufficient to cover direct mailing cost of $10.00 a year.

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The Positive Approach

THE LIBERAL-SOCIALIST is always positively *for* something. But the conservative-libertarian is all too frequently merely *against* something. That's why the socialists are winning.

Now personally I'm positively *for* every good thing there is. For example, I'm aggressively in favor of higher standards for education—and more and better education—than any socialist I ever met. I want the best possible medical care for everyone. With all my heart, I desire that every family in the United States and elsewhere shall be well fed, well clothed, and well housed.

While the socialists campaign for minimum wages and minimum standards of living, I shall continue positively to explain to people how the free market will bring maximum wages, high standards, and more goods and services for everyone. I'm for the maximum and against the minimum.

If people only realized it, the advocates of these minimums and averages are their deadliest enemies. The socialists want to depress the people to a common level; the libertarian wants to elevate each individual person to his highest capabilities.

The socialists want to standardize people; the libertarian wants to encourage and assist each person to develop his own personality and potentiality to the fullest.

The socialists want to restrict and forbid and control; the libertarian wants to remove the artificial and man-made obstacles to peace, progress, and plenty.

Since that is what you and I favor, why don't we say so? If we explain our viewpoints consistently and effectively, we will soon put the socialists on the defensive where they belong. For when it comes to an interest in the true welfare of people, the socialists are small men of little vision. *—Dean Russell*

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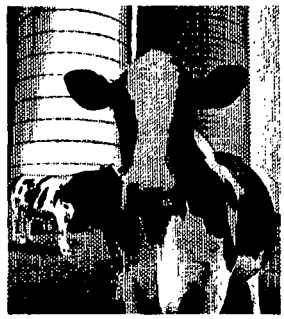
E. C. Pasour, Jr.

Economic Reality and U.S. Government Farm Programs



FARM BANKRUPTCIES are front-page news. Although the magnitude of the problem has undoubtedly been overstated by the media, there are no hard data on the precise number of farm businesses experiencing financial stress. According to a 1984 survey, less than 20 percent of all farm operators had debt/asset ratios of 40 percent or higher.[1] While the USDA on the basis of a recent American Bankers Association survey of agricultural banks found the incidence of farm bankruptcies "relatively low," pleas for government to "do something" are widespread throughout the land.[2]

The paradoxical nature of the call for government action to alleviate the economic distress in U.S. agriculture is too little recognized. As shown in the following analysis, current farm problems are rooted in past government programs.[3] As so often happens when government intervenes, government farm programs not only have failed to achieve their objectives but have created pressures for further intervention to deal with the unforeseen and unintended consequences of these policies.

Despite the fact that U.S. agriculture is often considered to be a bastion of free enterprise, farm programs today are remarkably similar to the protectionist Roosevelt New Deal policies instituted during the Great Depression of the 1930s. Moreover, it is ironic that government outlays for farm programs have increased greatly during the Reagan Administration. The taxpayer cost of farm price support pro-

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grams alone increased from $4 billion in 1980 to more than $20 billion in 1983—making these programs the most rapidly growing item in the deficit-plagued federal budget.

Although agriculture escaped the deregulation movement of the late 1970s and early 1980s that affected transportation, banking, and so on, it appears that major changes are likely to occur in U.S. farm policies within the next decade. The pressures for change are due to changing economic conditions and to an increasing public awareness of the effects of past government farm policies.

As the U.S. Congress debates a 1985 farm bill, agricultural policy is at a crossroads with only two choices. The choice is either to continue the existing network of costly programs involving government subsidies and government-sanctioned restrictions on competition that now affect about half the output of U.S. farms or, alternatively, to rely on the competitive market process to bring about appropriate adjustments in production and resource use. In making this choice, it is important to consider the objectives and results of current and past farm programs.

Government Intervention to Assist Low-Income Farmers

Price supports, marketing orders, and other restrictions on competition were instituted to increase farm prices and incomes during the Great Depression when economic conditions in agriculture were greatly different than they are today. While farm incomes, on average, historically have been lower than nonfarm incomes, this is no longer the case. If the half of the farms that are noncommercial rural residences are eliminated from the income statistics, the farm sector has higher family incomes, on average, than the nonfarm sector.[4] Of course, there is no presumption that wages *should* be equal. And, if public policies are instituted to equalize wages in different sectors regardless of underlying economic trends, there is little incentive for labor to adjust in response to changing economic conditions.

Furthermore, government farm programs make the income distribution less equal within agriculture since most farm program benefits are related to farm size. Consequently, when farm product prices are increased by price supports, incomes of small farmers are affected relatively little. Economist William Lesher estimates that just 13 percent of the farms obtain 45 percent of direct government payments, while 71 percent of the farms receive only 22 percent of the payments.[5] The result is that although farm programs are justified on the basis of helping low-income farmers, it is owners of large farms with incomes

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quite high relative to nonfarmers who receive most of the benefits.

Government Intervention to "Stabilize Agriculture"

Another goal of farm policy is to "stabilize" farm product prices and income. Despite this often stated goal, there is little doubt that past government policies have contributed to the current financial distress being experienced by substantial numbers of farmers. The record suggests that government attempts to stabilize agricultural markets have been no more successful than similar attempts by government to "fine-tune" the overall level of economic activity during the past 15–20 years. Indeed, much of the current economic distress in U.S. agriculture can be traced directly to inflationary monetary and fiscal policies and to subsidized credit, which induced farmers to overinvest in land and capital facilities during the late 1970s.

Economic instability is often increased by government intervention as Washington political decision makers manipulate agricultural (and other) programs to affect upcoming elections. Prior to the 1976 election, for example, the Ford Administration raised the loan rate on wheat from $1.50 to $2.25 per bushel and tripled the tariff on imported sugar.[6] Similarly, President Carter increased dairy price supports on the eve of the 1980 election. Again, in September 1984 President Reagan changed the rules of the Farmers Home Administration (FmHA) to postpone and reduce farm debt—thereby merely postponing the day of reckoning for many farmers.

The subsidized credit programs operated by the FmHA create an incentive to expand the size of farm operations through borrowing. The high ratio of capital to labor in U.S. agriculture makes farming particularly sensitive to changes in interest rates. When the cost of capital is subsidized, farmers are induced to substitute capital for labor and land. Thus, easy government credit policies undoubtedly have contributed to the recent increase in farm bankruptcies.

The importance of the export market for U.S. farm products increased markedly during the early 1970s. Although the United States is the world's largest exporter of agricultural products, government policies increase uncertainty and instability in export markets. The suspension of grain sales to the Soviet Union in 1980 by President Carter is a prime example. Uncertainty and instability inevitably increase when the demand and price of farm products hinge on unpredictable political factors.

However, it is not only trade restrictions directly affecting agricultural exports that are of importance

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to U.S. farmers. During the recent recession, the Reagan Administration tightened import restrictions on a range of products including autos, steel, textile products, and motorcycles. Since buyers of U.S. farm products must obtain dollars to make these purchases, such restrictions on imports, whether "voluntary" or involuntary, are especially damaging to U.S. agriculture. The conclusion is that much of the market instability for U.S. farm products during the past decade can be traced to government policies.

Indirect Effects of Farm Programs

Restrictions on competition inevitably reduce the efficiency of resource use. In current wheat, feed grain, and cotton programs, the government pays U.S. farmers not to till some of the world's most productive farmland. The higher prices for bread, milk, sugar and other products resulting from price support programs are especially harmful to those with low incomes and create increased pressures for food stamps and other income transfer programs.

There is a cost of production "trap" associated with the operation of all agricultural price support programs. Any effective price support will increase cost of production as increases in product prices are capitalized into prices of land, production rights, and other specialized resources. Thus, if the price of wheat were doubled or tripled to (say) $10 per bushel, prices of land and other specialized resources in wheat production would be bid up so that the expected cost of production, including the return to entrepreneurship, would tend to equal product price.

Since the benefits of farm programs are largely capitalized into higher prices of inputs (especially land), it is the owners of these inputs at that time who benefit. Producers who enter production later receive little benefit from such programs unless price support levels are further increased. Later entrants into production receive higher product prices, but they also have higher costs. Moreover, the increased prices of land and other inputs creates a trap that makes it difficult to abolish farm programs. If price support levels are reduced or abolished, prices of land and other specialized assets decrease—imposing huge losses on current farmers, particularly landowners. The windfall losses would not necessarily be incurred by those who received the gains since many farmers bought land and other farm assets after prices of these assets had already increased and, therefore, did not receive the original windfall.

There is a great deal of public concern about the viability of the small farm. Thus, it is ironic that interest rate subsidies of the FmHA and the CCC (Commodity Credit Corporation) promote the trend toward fewer

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and larger farms by encouraging the substitution of machinery and other capital inputs for labor. When credit is allocated on the basis of opportunity cost, credit is used by those producers who best accommodate consumer demands. If credit is subsidized, some less productive producers are kept in business, thereby increasing output with lower product prices. Thus, another indirect effect of subsidized credit is to harm those producers *not* receiving preferential treatment in capital markets.

Schizophrenic Nature of Programs

Farm programs are incredibly complex and there is no way to determine the net impact of the network of price supports, marketing orders, credit subsidies, conservation subsidies, food stamps, and other programs financed through the U.S. Department of Agriculture. However, the programs are often inconsistent, having opposite effects on farm product prices. For example, price support programs for milk, sugar, feed grains, wheat, cotton, and tobacco along with food stamp and other subsidized food assistance programs *increase* product prices. On the other hand, government-financed research activities and credit, land, and water subsidies tend to increase output and *decrease* farm product prices.

Expenditures to "stabilize farm prices and income" by reducing output totalled about $20 billion in fiscal 1983. During the same period, expenditures that increase output totalled about $15 billion. If the dollars spent on these programs were equally efficient in achieving their conflicting objectives, some $30 billion may have been spent in 1983 on activities having little (or no) net effect on food costs, farm prices, or farm incomes. That is, because of their opposite effects on product prices, a substantial part of farm program expenditures merely cancel out each other. However, there are important gainers and losers associated with the operation of farm programs as indicated below even if the expenditures, on average, are self-defeating.

The fundamental problem in agriculture, as in other areas, is to achieve the most productive pattern of resource use. There are only two ways of securing economic cooperation—the market system and central direction. There is, in general, a strong case for decentralized competitive markets as the most effective means of coping with constantly changing economic conditions. The competitive entrepreneurial market process is fully as applicable in agriculture as in other economic sectors. The market in agricultural production and marketing activities can do what central planning cannot do: it can utilize the detailed informa-

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tion in millions of minds that cannot be conveyed to any planning authority. In view of the record of past government farm programs, the burden of proof should be on those advocating continuation or expansion of progams that prohibit or inhibit the operation of the entrepreneurial market process.

The value of U.S. farm exports jumped from $8 billion in 1972 to about $44 billion in 1981—a dramatic increase in real terms. The increased dependence of U.S. agriculture on international trade has important implications for domestic agricultural policies since there is a fundamental incompatibility between domestic agricultural price support programs and free international trade. When domestic prices of dairy, tobacco, peanut, sugar, and other products are raised above the world price, imports must be restricted to prevent domestic consumers from purchasing lower priced imports. As the dependence of U.S. agriculture on exports increases, the liberalization of trade becomes increasingly important. However, the United States cannot be a credible proponent of free trade as long as U.S. farmers operate under an umbrella of protectionist domestic agricultural policies.

Implications and Conclusions

The effect of government-enforced restrictions on competition in agriculture is to increase income to wheat growers, sugar producers, dairy farmers, and other small groups at the expense of the public at large. Consumers and taxpayers bear the major costs of government farm programs. Price support programs mean that consumers face higher prices of milk, sugar, peanuts, tobacco, oranges, and other products. Consumers are hit especially hard in the case of sugar and dairy products. In late 1984, the domestic price of sugar was four times the world price. Similarly, U.S. dairy product prices were two to three times the world price. The dairy program is also expensive to the taxpayer. In fiscal 1983, the treasury costs were $2.6 billion—or about $13,000 per commercial dairy farmer.[7] The cost of price supports, subsidized credit, and other USDA outlays is now roughly $50 billion per year and increasing rapidly. Farm programs are not an unmixed blessing to farmers. Farmers who rent or buy land, production rights, or other specialized resources, also face increased production costs.

The notion of individual rights, including the ability of people to engage in voluntary exchange is central to questions concerning the appropriate role of government in agriculture (and in other sectors). In the decentralized market process, maximum scope is provided for individual choice. Only through this

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approach can the nation's agricultural resources be used most economically serving the interests of farmers, consumers, and taxpayers alike. In agriculture, as in many other areas of economic activity, government might make its greatest contribution by attempting to do less. In the long run, noninflationary monetary and fiscal policies plus a more open economy would benefit agriculture far more than the network of costly action programs now in place.

—FOOTNOTES—

[1]*Agricultural Finance: Outlook and Situation Report*, ERS, AFO-25, U.S. Department of Agriculture, December 1984, p. 7.

[2]*Ibid.*, p. 3.

[3]Many of the points discussed below are elaborated upon in more detail in E. C. Pasour, Jr., "The High Cost of Farm Subsidies," Backgrounder No. 388 (Wash., D.C.: Heritage Foundation, Oct. 22, 1984) and E. C. Pasour, Jr., "The Free Market Answer to U.S. Farm Problems," Backgrounder No. 389 (Wash., D.C.: Heritage Foundation, October 30, 1984).

[4]David H. Harrington, "Income and Wealth Issues in Commercial Farm and Agricultural Policy," pp. 145–153 in *Increasing Understanding of Public Problems and Policies—1984* (Oak Brook, Ill.: Farm Foundation, 1984), p. 147.

[5]William G. Lesher, at the Conference on Alternative Agricultural and Food Policies and the 1985 Farm Bill, sponsored by the Giannini Foundation and Resources for the Future, Berkeley, California, June 11, 1984.

[6]Bruce L. Gardner, *The Governing of Agriculture* (Lawrence, Kansas: Regents Press of Kansas, 1981), p. 118.

[7]*Dairy: Background for 1985 Farm Legislation*, Economic Research Service, U.S. Department of Agriculture, Agricultural Information Bulletin No. 474, September 1984, p. 28.

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Jane M. Orient

Comparable Worth versus Civil Liberty: Are Feminists Pro-Choice?

THOUGH enshrined in the 1984 platform of the Party of New Ideas, the comparable worth concept was both proposed and demolished in 1928 by George Bernard Shaw. "To Each What She Deserves" was the title of its chapter in his book *The Intelligent Woman's Guide to Socialism, Capitalism, Sovietism, and Fascism.* Shaw's discussion might be especially helpful to those who confuse the idea with the fundamentally different issue of equal pay for equal work.

"Well think it out," he says. "The clergyman . . . is able to read the New Testament in Greek; so that he can do something the blacksmith cannot do. On the other hand, the blacksmith can make a horseshoe, which the parson cannot. How many verses of the Greek Testament are worth one horseshoe? You have only to ask the silly question to see that nobody can answer it."

Shaw also discussed an alternate but similar notion: "Since measuring their merits is no use, why not try to measure their faults? Suppose the blacksmith swears a good deal . . .! Everybody in the village knows this; but the parson has to keep his faults to himself." And if the parson were discovered to have the fault of distorted values (say that he preferred fashionable society to religion), would that make him "as bad as the blacksmith, or twice as bad, . . . or only half as bad?"

A system that paid prizefighters so much money had to be absurd, Shaw concluded. "But to suppose that it

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could be changed by any possible calculation that an ounce of archbishop or three ounces of judge is worth a pound of prizefighter would be sillier still."

Proponents of comparable worth make exactly that supposition. A scale devised by the Hay Study in San Jose assigned points on the same scale to 231 different jobs, taking into account skill, effort, responsibility, and working conditions. For example, the position of puppeteer was given 124 points, equivalent to offset press operator, engineering technician I, or street sweeper operator. A maintenance worker I was considered to be worth 140 points, a senior recreation leader 158 points, and a stage hand 178 points.

At first glance, such a scale looks perfectly objective. After all, what could be more objective than a number? In reality, the numbers simply codify the subjective values of the consultant. Rather consistently, such job evaluations tend to place a higher value on college education than employers do. Similarly, they seem to award points for social worthiness. The raters then presume to impose their values on everyone, through the legislature and the courts. Not only do they determine conversion factors—how many horseshoes equal a Greek verse—but they pretend that these are as precise as the factors that convert centimeters into inches, at least to three significant digits.

Of course, individuals *do* place values on horseshoes and Biblical translations. The values differ with the individual, and with his needs (and resources) at the moment. The person who has seen horses only in B-grade Western movies would prize them less than would a farmer in an underdeveloped nation, who depends on them to transport his produce to market. A person studying for the ministry would probably appreciate Greek scholars more than a manufacturer of semiconductors would.

Subjective Values

Economic values are subjective and variable. Comparable worth challenges both the legitimacy of voluntary exchange in the marketplace, and the values represented in the wages and prices thus determined. Paradoxically, this attack on economic pluralism is led by defenders of the right to choose alternative lifestyles, even those considered morally reprehensible in the recent past.

Comparable worth is promoted as a moral or civil rights issue. The moral imperative arises from the perceived injustice in the present system. The "59 cent gap" (the average woman earns 59 cents—now 61 cents— for each dollar earned by the average man) may be grounds for suspecting unfairness, though it does not constitute a *prima-facie* case.

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About half the gap is due to undetermined factors, and is attributed to discrimination. Half is accounted for by "human capital" factors: education, experience, and commitment to the labor force. Part of this difference between women and men may result from past discrimination, mandated by laws restricting women's conditions of work and, more powerfully, by unwritten custom.

Interestingly, past discriminatory practices were motivated by a concern for social justice. Labor unions, the Catholic Church, the social welfare movement, and even American socialist parties all belonged to a coalition supporting the "family wage." The "one-paycheck-per-family" idea was meant to protect those most vulnerable to competition, the men at the low end of the wage scale. Fair competition would have meant unemployment for some breadwinners (men), while their jobs were done by women, who were bringing in a supplementary income.[1] In addition, increasing the size of the labor force drives wages down, by the law of supply and demand. Keeping women at home helped men to command a "living wage."

Although past discrimination resulted from good intentions, yesterday's social justice has become today's unfairness. The values that our forefathers imposed on the economy were wrong, according to current thought. However, comparable worth advocates would follow the precedent of rejecting the free market and enforcing, by legislation or litigation, their own vision of what is right. They fear that too much freedom might lead to oppression.

On the one hand, it is argued that the market is too free—at least for employers. A representative of the American Federation of State, County, and Municipal Employees stated that freedom from bias was the only legitimate freedom of the marketplace.

A Question of Choice

On the other hand, it is claimed that women are not really free, but have been "herded" into the "pink collar ghetto," that is, segregated disproportionately into low paying jobs, more or less deliberately. But why do women settle for "unacceptably" low wages? Why do they not clamor to enter relatively well-paid, if humble, occupations, such as the skilled trades? When pressed, comparable worth proponents acknowledge that women *don't want to do those jobs*. They do not strive for upward mobility, except into positions of high status, as in medicine, administration, or government. They want to stay where they are, albeit with a raise in pay.

Clearly, this is an admission that

[1] William Tucker, "Condemned to Liberation: the Woman as Breadwinner," *The American Spectator*, November 1984, p. 22.

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"women's work" does have certain advantages. Compensation cannot be measured solely in terms of dollars and cents. Although the low salaries of librarians, secretaries, nurses, and teachers are no secret—and certainly not a recent development—women, and increasing numbers of men, still prefer these fields. The working conditions are pleasant, at least in comparison with bricklaying and plumbing; the hours are convenient; and entry to and exit from the work force are relatively easy.

Thus, the seeming ambivalence about freedom is explained: it is related to the definition. Comparable worth advocates are not concerned about freedom *to* make choices, but about freedom *from* the consequences of those choices. Their real grievance is that they do not control the market forces that determine what will be offered for each job. They resent the law of supply and demand, and are unhappy about the values that employers assign to various jobs.

Payment for Caring

Though conceding that people should be compensated for enduring the hot sun and other difficult conditions, comparable worth advocates indict our society for placing a low value on intellectual abilities and attributes such as "caring," which are required in traditionally feminine roles. How can a civilized nation show such slight appreciation (in monetary terms) for those who nurture and teach the young? What sort of society values a strong back more than compassion and a liberal education? The United States is no more advanced in that regard than the England of George Bernard Shaw.

Of course, increases in pay of professionals such as nurses and teachers have occurred, but in response to shortages rather than because of enlightenment. Likewise, comparable worth would not rely on enlightenment either, but would substitute legal compulsion for amoral market forces. Furthermore, it is in reality just as materialistic as the marketplace, since all admissible rewards are monetary.

It is easy to deplore the taste and judgment of the common man, as reflected in market values. The question is whether we can assume that an ad hoc, elite commission would distribute rewards any more fairly. Arguably, such a commission could be disinterested and able to consider factors beyond brute economics, whereas employers have a vested interest in the cost of production. Nevertheless, no group could claim to be immune to all bias, especially if it owed its very existence to a special interest group whose values differed from the prevailing ones.

Acknowledging that the compa-

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rable worth commission must possess some bias, is it not morally preferable to be biased in favor of the "disadvantaged"? This appealing idea has profound implications. To say, *a priori*, that in the scales of justice the rights of employees outweigh those of employers (and of the customers who ultimately pay the cost of production) is incompatible with the principle of equality before the law, the very foundation of civil rights. At first, the "disadvantaged" may appear to gain. But sooner or later, those who are most skilled in manipulating the political process will define "social justice." In other words, in the absence of equality before the law, might makes right.

It is crucial to understand the conflict between civil rights and comparable worth. Civil rights demand a society ruled by law and based on contract. Under the law, each individual must have the right to make voluntary agreements with others. The courts uphold contracts, and prevent coercion, which might be understood to include arbitrary barriers to employment, that is, barriers unrelated to ability to perform the job. Comparable worth, on the other hand, necessarily resorts to rule by men rather than by law, and would make status rather than contract the basis of society. Rule by men is inevitable because there can be no objective criteria to determine what each should be paid. No library would even be large enough to contain the statute books that enumerated all the possible combinations of knowledge, experience, and personal attributes, along with the pay due to each individual possessing that combination for performing jobs with particular requirements.

Turn Back the Clock?

However advantageous rule by men may appear to be in certain circumstances, the idea should alarm the student of history. Do we wish to turn the clock back to the time before the Magna Carta established the supremacy of the law over the ruler? Do we desire to emulate the current example of the People's Republic of China, which has not published a legal code, but relies on a "democratic political process" for all decisions? Useful as it might be to study models remote in time or place, it might be adequate simply to look at the other side of the comparable worth equation.

If some groups of people are to be paid relatively more, who is to be paid relatively less? Since comparable worth advocates tend to compare the pay of teachers and secretaries with that of blue collar workers, one suspects they would like to economize on janitors, truck-drivers, garbage collectors, and plumbers—hardly a group with outstanding privileges. Naturally, a group seeking political influence

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would be reluctant to name those who would be hurt by its proposals.

In all likelihood, there would be no explicit pay cuts—just no raises for the previously "favored" until justice has been achieved. Especially if government employees, who are in the front ranks of the advocates, are upgraded in salary in large numbers, the mechanism of financing is likely to be inflation, a tried-and-true method of cutting people's pay without facing the storm of protest. This is the second way in which comparable worth is deceptive, the first being the pretense that the numbers on the scale are objective measures rather than statements of opinion.

Moral Objections

So far, we have considered the moral objections to the comparable worth proposal. It is deceptive, coercive, elitist, and arrogant. More seriously, it would suspend the rule of law. In place of an alleged gender discrimination (which is *assumed* to be the reason for the wage gap), it would substitute legalized class discrimination (where class is defined by points on a scale of worthiness).

Today, many seem to believe that noble ends justify the means. Disregarding the due process of law, they focus on results. Therefore, let us next discuss the likely outcome of comparable worth, in the light of some desirable goals: 1. higher valuation of femininity, 2. broader opportunities for women, 3. higher pay for women, and 4. greater independence for women.

Although feminists tend to see the relatively low wages in female dominated fields as evidence of low esteem for women, there is another side to the "family wage." Although women of the elite view a career as a means of self-fulfillment, those of lesser skills might regard a job as further drudgery that they must perform in addition to household duties and child care. The "59 cent gap" provides some women (about 40 percent of married women) the option of staying at home. Indeed, the differentiation of family responsibilities by gender probably accounts for much of the gap. The average pay of women who have never married, and who have continuously participated in the labor market, is virtually the same as that of married men.[2]

Closing the gap might mean that all but the most well-to-do would require two paychecks to make ends meet. In fact, more and more families are finding themselves in that situation. The implication is that a woman's work in the home is not sufficient to merit a living: clearly, a devaluation of her contribution to society. That women hire substitutes for child care and homemaking, at wages less than they themselves

[2]Michael Levin, "Comparable Worth: the Feminist Road to Socialism," *Commentary*, September 1984, p. 13.

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earn, is further evidence that their value in the home is less than in the outside world. Are mothers really less important than secretaries? Only if we think in terms of dollars. Probably, no one could afford to pay women what they are really worth.

Of course, it does not seem fair that some women are blessed with provident husbands, whereas many others are not so fortunate. However, comparable worth could not alleviate that problem, and might worsen it, just as aid to dependent children has been accompanied by an increase in the number of women on the welfare rolls. Comparable worth is tinged with envy. Why should some women have just one job (at home), while others must commute to a stressful, unglamorous second one?

Within the Market

Naturally, comparable worth advocates are more concerned about the welfare of women who are in the labor market than those who are not. At least, the working woman should benefit from the proposal. However, "entitlement" to a certain wage is not very helpful if a worker cannot find employment at that rate. The market price, or market wage, is one at which supply and demand reach an equilibrium. Interference with this mechanism, as by comparable worth, results in an excess of either supply or demand.

Increasing wages by judicial fiat would increase the demand for the affected jobs at the same time that it decreased their supply, causing stiffer competition among those seeking the positions. Those with fewer skills (or fewer "connections") will find no opportunity. They might demand that the number of slots be increased, or frozen, but this would at best be a short-term solution. Businesses forced to pay workers more than they are worth eventually face several options: bankruptcy, replacement of workers with word processors or machines, or exporting jobs to Taiwan or other more competitive areas.

Looking again at the other side of the equation, lower wages in other fields would cause a shortage of people willing to accept some jobs. Why bother to study calculus, in which the attrition rate is as high as 70 percent, when similar compensation is mandated for those who elect library science instead? Why lift heavy boxes if a desk job pays more? Shortages of workers decrease productivity, affecting the entire economy.

"Social worth," defined by an elite commission, may sound more fair than "demand," defined by the marketplace. But in reality it simply replaces a voluntary decision by a forced one. Its fairness is debatable, but the disruption of the economy is obvious.

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Resort to the continuing use of force in order to "liberate" women would seem paradoxical if we did not understand the definition of freedom that is inherent in utopian proposals. To schemes aimed at liberating us from the human condition, political liberty is an obstacle, because people might make decisions that thwart the aims of the self-styled liberators. These utopians do not want women to be independent as individuals, free to become engineers and to make contracts. Rather, they wish to replace the perceived subjugation of women to men with the subjugation of everyone to a "political process" dominated by philosopher-kings with the "right" values, who promise to free people from their problems. Many of the proposed solutions are familiar: more state-supported day-care centers, more maternity benefits, and of course more planning and less economic freedom.

Could there be any other solutions? What if the emphasis changed from escaping the burdens of women to coping with them in creative ways? What if we allowed more freedom?

The main problem of women is, in a word, children. Women have a disproportionate share of that burden. As a survey of executive women by the *Wall Street Journal* showed, their husbands rarely assume primary responsibility for meal planning, caring for sick children, or shopping for them. We can't do away with children, and transferring their care to someone else also creates problems. Infectious diseases are more common in day care centers, and child abuse has been reported. Most importantly, parents relinquish much of their critical early influence on the child's upbringing. Is there any way in which women could care for their own children, and yet make full use of their other abilities?

The Information Revolution and Freedom in the Market

The information revolution is one means by which freedom in the marketplace could increase freedom for women. The "telecommuting" sector could potentially involve 15 to 20 percent of the work force by the end of the decade. Writers, travel agents, programmers, financial advisors, and coders of insurance forms even now frequently work from their terminals at home. Of course, men who prefer to work at home and handicapped persons benefit along with women who have small children. Net income is greater, if there are no child care expenses, and time otherwise spent commuting can be used more productively. As a bonus, children who see their mothers at work need not rely on pictures in schoolbooks to learn that women make important contributions to the economy.

Though it would seem to be in

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women's best interests to be in the forefront of the telecommuting revolution, feminists are forming alliances with those who oppose economic freedom in general, and home work in particular. Resolutions against computer home work have been passed at union conventions, with rhetorical threats of "electronic sweatshops." In at least one instance, local authorities have shut down a computer home worker because of alleged violation of a zoning law.

A 1943 Labor Department ruling bans all home work in seven industries. Only recently, Secretary of Labor Donovan attempted to rescind the most notorious restrictions forbidding workers to knit outerwear at home, but he faces court challenges from the International Ladies' Garment Workers Union.[3] Thus, the most conspicuous proponents of comparable worth, unions and government, are fighting against the real civil rights issue of the 1980s: the right to work without rigid restrictions and meddlesome intrusions.

Not all women would wish to telecommute. But women benefit from having as many options as possible, including a division of labor in which a man is the chief breadwinner. They should encourage their daughters to learn their mathematics, since inadequate quantitative skills exclude women from a wide variety of occupations. They might advocate expansion of vocational education, in view of the glut of college graduates. They should favor policies that promote economic growth, which creates jobs. Above all, they should support a system that is open to the unforeseen opportunities resulting from innovation and technological advance, which has already relieved them of much of their great-grandmothers' drudgery. In short, women belong in the front lines of the battle to preserve economic liberty.

George Bernard Shaw, Fabian socialist, after rejecting comparable worth, eventually concluded that everyone should be paid exactly the same amount. He recognized only one difficulty: what about the poor bloke who just wasn't worth what society was obligated to pay him? Shaw suggested that we simply execute such a fellow, in a kindly manner of course.

Comparable worth advocates don't propose to execute people, at least not yet. But for a small increase in the paychecks of some, the demise of the rule of law, the death of economic freedom, distorted growth, aborted potential, and stillborn opportunities are too high a price.

[3]David Rubins, "Telecommuting: Will the Plug Be Pulled?" *Reason*, October 1984, p. 25.

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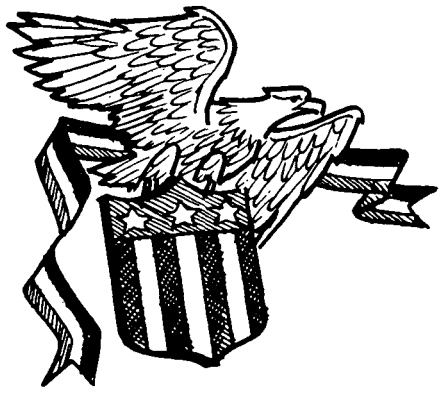
Robert Bearce



The Spirit of Freedom

On July 3, 1776, the events of the previous day were fresh on John Adams' mind when he wrote to his wife Abigail: "The second day of July, 1776, will be the most memorable epocha in the history of America. I am apt to believe that it will be celebrated by succeeding generations as the great anniversary festival. It ought to be commemorated as the day of deliverance, by solemn acts of devotion to God Almighty. It ought to be solemnized with pomp and parade, with shows, games, sports, guns, bells, bonfires, and illuminations, from one end of this continent to the other, from this time forward forevermore."

John Adams was enthusiastic about the historic action taken by the Continental Congress on July 2. A resolution favoring independence from Great Britain had been carried by the affirmative vote of twelve Colonies. Not until the 4th of July, though, was the actual Declaration of Independence formally adopted. Although Adams missed foretelling the exact day of future celebrations, he accurately described the manner in which America's Independence Day would be remembered by later generations.

Each Fourth of July, Americans commemorate the adoption of the Declaration of Independence. "Old Glory" comes out of the closet and appears on front porches across the nation. Bands play "The Stars and Stripes Forever." Thoughtful citizens give thanks for the blessings of liberty.

Such patriotic enthusiasm appears as a yearly ritual across the United

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States. The outward display of loyalty is there, but does this allegiance reflect an in-depth understanding of the Declaration of Independence—a real commitment to personal freedom?

Although John Adams wrote triumphantly to Abigail about the vote for independence, he added a critical observation: "You will think me transported with enthusiasm, but I am not. I am well aware of the toil and blood and treasure that it will cost us to maintain this Declaration and support and defend these states."

The Critical Challenge

We are now facing that same critical challenge. The Declaration of Independence may be extolled, but just praising it as a relevant, thoughtful document of freedom will not preserve it. Enshrining it will not strengthen freedom. Instead, we must re-examine and reassert the principles outlined in the Declaration of Independence.

Consider the second inspiring sentence of the document: "We hold these truths to be self-evident: That all men are created equal; that they are endowed by their Creator with certain unalienable rights; that among these are life, liberty, and the pursuit of happiness. . ."

The colonists had enjoyed these God-given rights and others since the first settling of America. With varying degrees of freedom, they could own property, bear firearms, and worship as they pleased. They had the right of trial by jury, and they practiced representative government. Most important, they had been free to live their own lives as they—not the government—best saw fit.

When these freedoms were threatened by Parliament and King George III, the colonists became indignant. Receiving no just response to their grievances, they chose to separate themselves from the mother country. The Declaration of Independence was the formal statement of their decision to be totally independent and self-governing.

The real importance of the Declaration, however, is its fundamental assertion of *individual freedom.* Even if the demand for political independence had not been made, the document would still be a profound statement in defense of human dignity. When the Thirteen Colonies proclaimed their independence as the United States, they were reaffirming personal freedom and rejecting authoritarian rule by government over the individual.

Several years after the United States had won independence from Great Britain, a veteran of the Lexington-Concord fight in 1775 was asked why he had fought against the British. "We had always governed ourselves," replied the rugged old

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minuteman, "and we always meant to. They didn't mean we should."

His forthright answer reveals the main issue of the American War of Independence—FREEDOM. The minuteman understood that if he was to have freedom, he would have to enjoy the right of self-government. He reasoned that he could govern himself only to the extent that he exercised personal judgment and choice over his own affairs. For almost one hundred fifty years, the colonists had done just that—accepted individual freedom, responsibility, and accountability for their own lives. Government regulations and controls threatened that freedom.

Oppressive Government

The Declaration of Independence clearly states the objection to oppressive governmental authority. The central portion of the document shows that the colonists were protesting abuse of power, usurpation of their rights, obstruction of justice, and governmental interference. Speaking of the King of England, they pointed to this abuse of government authority: "He has erected a multitude of new offices, and sent hither swarms of officers to harass our people and eat out their substance."

Although he was eventually characterized as such, King George III was not a tyrant. He and Parliament had shown a rather benevolent, paternalistic attitude toward the Thirteen Colonies—an attitude similar to the "compassion" and "concern for the disadvantaged" supposedly shown by our modern-day politicians. Like young, immature children, the Colonies were to benefit from the fatherly hand of the British Crown. But they were not very impressed by this paternal hand of regulation, decrees, taxes, and other bureaucratic interventions.

"Tyranny!" shouted the colonists. They saw unlimited government power for what it was—the seed of repression and subjugation. Patriots like Thomas Jefferson fought for the principles of limited government and individual freedom. They knew that the main role of government was twofold: (1) apprehending and punishing domestic evildoers—those people who would violate other people's right to "life, liberty, and the pursuit of happiness," (2) organizing the defense of law-abiding citizens against foreign aggression. Government was *not* to be the source of a people's material welfare.

The Declaration of Independence speaks eloquently of "life, liberty, and the pursuit of happiness" for the individual. These rights could be secured only when government itself was held within strict boundaries of power and authority. The colonists realized they could improve their own personal lives if they were free of government interference. They did

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not want the government trying to do for them what they could and should do for themselves. They asked only for the freedom to enjoy the just fruits of their daily labors.

Even as the Crown continued to infringe upon their "unalienable rights," the colonists followed legal channels of protest, expressing loyalty to the King. There was the firm intention of retaining the traditional political relationship with England. The preservation of freedom—not revolution—was on the colonists' minds.

Eventually, patience ran out, prompting Patrick Henry to declare: "We have done everything that could be done to avert the storm which is now coming on. We have petitioned, we have remonstrated, we have supplicated, we have prostrated ourselves before the throne, and have implored its interposition to arrest the tyrannical hands of the ministry and Parliament. Our petitions have been slighted; our remonstrances have produced additional violence and insult; our supplications have been disregarded; and we have been spurned with contempt from the foot of the throne."

Individual Dignity

The American War of Independence was fought to preserve a truly "revolutionary" truth—each of us is a unique individual, able to accept self-responsibility and thus to enjoy personal dignity. For the most part, the governments, systems, revolutions, societies, and ideologies of the world have tried to suppress that truth. People have been enslaved, tortured, and killed by those who reject man's God-given right to "life, liberty, and the pursuit of happiness."

The American colonists had seen the approach of slavery. In the Declaration of Independence, they accused King George III of seeking the "establishment of an absolute tyranny over these States." Similar language was used by the revolutionary Jacobins during the French Revolution when they assailed the monarchy under Louis XVI. The French radicals shouted lofty slogans about liberty, but their bloody revolution against the monarchy hardly parallels the spirit of the American Revolution—the true spirit of freedom.

"Liberty! Equality! Fraternity!" clamored the revolutionaries of France. Louis XVI lost his head on the guillotine. So did thousands of other Frenchmen.

The leaders of the French Revolution of 1789 had read the Declaration of Independence. They admired America's document of freedom. Unfortunately, they lauded it but rejected its principles. They failed to comprehend what Jefferson and Adams meant when they said "all men are created equal." Equal-

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ity as it is outlined in the Declaration says that individuals are equal in their right to be free and indedent—to be free and independent as long as they respect the rights of others to be free and independent, with everyone respecting property and other individual rights.

Each person should have the right to rise to the height of self-realization consistent with that person's individual talents, ambition, and willingness to accept personal accountability. In seeking this self-fulfillment, each person must respect the equal rights of other individuals.

When a government respects true equality—the equal right to enjoy personal freedom—the result will be that many differences will exist among the citizenry. This natural condition of *inequality* is consistent with freedom, justice, and human nature. Individuals are unique. Each person has varying talents, aspirations, and weaknesses. If individuals are free to arrange their own lives, they create a diverse society where men and women attain different social, intellectual, and economic status.

Equal Treatment Results in Many Differences

Individuals are equal in their right to "life, liberty, and the pursuit of happiness"—so long as they accept responsibility for their own lives and recognize their personal accountability for their failures, shortcomings, and misdeeds. Regrettably for mankind, modern-day politicians and "social architects" like the French revolutionaries reject this truth.

Robespierre, Danton, and other leaders of the French Revolution believed they could bring about the regeneration of humanity through the power of the State (government power and authority). Although they spoke much about freedom, they actually denied self-determination and the free will of the individual. They insisted that man was the product of his environment. Crime, poverty, greed—these were supposedly inflicted upon humanity by corrupt political, social, and economic conditions/institutions. By the use of government authority and power, the revolutionaries believed they could erect a near-perfect if not perfect society.

The visionaries of Revolutionary France had a distorted view of human nature—a distorted view still held by many people today in the media, in politics, in our universities, and even in our religious institutions. The theory-minded leaders of the French Revolution believed that the individual was inherently virtuous. If a person committed murder, he should not be harshly condemned for a criminal act. Rather, he should be regarded as the victim of adverse social or economic condi-

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tions which drove him to the act of taking another individual's life.

Thus, the French revolutionaries focused their efforts to build the virtuous society by removing what they mistakenly thought caused people to act in "antisocial" ways. By reconstructing society through the power of the State, they were convinced that people would return to their basic goodness, virtue, and righteousness.

The government leaders of the French Revolution said that they loved humanity. They said that they were for the "poor and homeless," "the helpless and abused," and "the needy," but in reality, they rejected the true meaning of human dignity contained in the Declaration of Independence. They placed Society and the State above the individual and individual freedom, whereas the fifty-six signers of the Declaration of Independence in America placed the individual above the State.

The patriots of the American Revolution had faith in individual freedom. Freedom—not government power—was the foundation for true progress, self-improvement, and happiness. Absolute equality and perfection brought about by government authority were illusions. Only free individuals in a truly free nation could achieve material welfare, human dignity, and personal fulfillment. Only when the individual has both the freedom to make choices and the corresponding obligation to abide by the just consequences of those choices, can he achieve self-respect.

By adhering to the principles of the Declaration of Independence, Americans have attained material abundance and personal dignity. The blessings of liberty have been enjoyed because free individuals have been allowed in the past to labor freely in a free society. Yet, we have also been abandoning the basic truths upon which America was founded.

"Omnipotent" Government

From the halls of Congress to the academic forum, we hear that government has the answer to all of our society's ills. We are assured that government can and should solve every problem from hunger to faulty automobile bumpers. Commissions . . . regulations . . . controls . . . rules . . . coercion . . . Congressional committees . . . subcommittees . . . regimentation . . . and more regimentation—all should remind us of the grievances listed in the Declaration of Independence.

Coercion, paternalism, restrictive legislation, and unconstitutional government intervention will gain ground to the extent that we are indifferent to the cause of true freedom. When we remain silent, we will be responsible for our own destruction—moral degeneracy, material/

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economic stagnation, and eventual physical slavery.

The principles of freedom will continue to be eroded as long as free individuals relax in their complacency. "Is this the part of wise men," asked Patrick Henry in March, 1775, "engaged in a great and arduous struggle for liberty? Are we disposed to be of the number of those who, having eyes, see not, and having ears, hear not, the things which so nearly concern their temporal salvation?"

Freedom is threatened today just as it was threatened at the time of the Declaration of Independence. The colonists wanted less government—not more of it in their daily lives. They wanted to be free to release their own creativity and energies. The "pursuit of happiness" was their own responsibility. They stated in the Declaration "that, to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed." The early patriots of America believed that government should protect their "unalienable rights." It had no right to interfere with "life, liberty, and the pursuit of happiness" other than that of prosecuting law-breakers and maintaining self-defense from foreign aggression. The colonists were free people struggling to remain free.

Living in freedom had strengthened the character of the colonists. They recognized the existence of moral absolutes. Right was right. Wrong was wrong. They were individuals who valued honesty, hard work, thrift, and an equal respect for the rights of others. They knew what they believed and *why* they believed it. They said what they meant and *meant* what they said.

Humble Before God

Although the colonists were self-reliant and independent, they were humble before God. True liberty was found in a genuine reverence for Almighty God and obedience to His commandments—not worship of government authority. Their spiritual faith gave them a clear understanding of their personal roles in life. They accepted the rugged challenges of life, knowing that in worldly affairs, the Lord, indeed, helped those who helped themselves.

The farmers and shopkeepers who took up arms against the Redcoats heeded Ben Franklin's admonition: "They that can give up essential liberty to obtain a little temporary safety deserve neither liberty nor safety."

The patriots of 1776 chose both liberty and the responsibility of defending that freedom. The Continental soldier fought at Trenton and Germantown . . . suffered at Valley Forge . . . and finally won independence. The "spirit of '76" is the faith and spirit of freedom. If Patrick

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Henry and other patriots were willing to die for freedom, certainly we should *live* for freedom. We face the continued struggle for liberty. Battles lie ahead. We are in continual warfare. These are facts that we must accept honestly as we consider Patrick Henry's words back in 1775:

"The battle, sir, is not to the strong alone; it is to the vigilant, the active, the brave. Besides, sir, we have no election. If we were base enough to desire it, it is not too late to retire from the contest. There is no retreat but in submission and slavery!"

A State of War

Today, free people are in a state of warfare—a continued battle prompted by those who oppose freedom. We need to acknowledge our current challenge to keep alive the spirit of freedom and to strengthen freedom.

First, we need an honest, sincere, and broad understanding of the basics of freedom. We cannot very well defend that which we cannot adequately explain and present to other people. We should ask ourselves how well we truly understand such principles of freedom as the free-market exchange of goods and services . . . personal freedom/accountability . . . no coercion against law-abiding citizens . . . voluntary cooperation . . . limited, strictly defined government power.

Do we understand these principles? Are we doing what we can to understand them better?

Second, in order to rejuvenate the spirit of freedom, we must practice the freedom faith continually, consistently, and earnestly in *our own personal lives*. Some warriors for the cause of freedom know the ABCs on the subject, and they are on the battlefronts, such as actively campaigning for pro-freedom candidates for Congress.

Such "activism" is to be cheered and encouraged, but woe! Some of those hard-charging freedom warriors will (1) on Monday, demand the total elimination of the federally funded Legal Services Corporation, but (2) on Tuesday lobby the federal government for an increase in federal subsidies and low interest loans for farmers. The wayward, backslidden freedom troopers in this case are an association of farmers who are more interested in their "special interest" than in individual freedom and responsibility.

No, we cannot have that type of inconsistency if the spirit of freedom is to be enhanced and strengthened.

Third, we must diligently protect freedom. Patrick Henry advised that those who would defend liberty must be strong, active, brave, and vigilant. "Vigilance is the price of liberty," and today we should be vigilant—seeing where and how freedom is being undermined.

For example, we ought to see that

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many reporters, commentators, editors, publishers, and anchor persons are not the fair, objective, accurate, and honest news people they would like us to believe. Instead, they are prejudiced against freedom. They show a clear bias in favor of more government—a support for more government intervention that daily translates into a corruption of the truth.

A good portion of the major news media people have a personal belief that the government should be spending more—not less—for education, the arts, welfare, health, and the like. They personally believe that government regulations and programs—not free people working freely in a free society—are the best way to make sure individuals are sufficiently housed, clothed, fed, and given proper medical care.

Even though we may have a very sound grasp of the basics of freedom, we must be vigilant to the distortions, half-truths, and slanted reporting we receive from media sources around us.

Fourth, we should be earnest spokesmen for freedom, actively taking a part in the current battles affecting our daily lives. It isn't enough to appreciate the writings of Bastiat, Jefferson, Burke, Tocqueville, and Ludwig von Mises. Nor do we accomplish much by railing at the supper table about Congress's latest repudiation of the oath of office to defend the Constitution of the United States. Rather, we should practice what we preach by becoming intelligently, firmly, and consistently involved defending freedom, explaining it, and strengthening it.

Words of Wisdom

Two men who signed the Declaration of Independence back in 1776 still speak to us as we seek to learn more about freedom. "A wise and frugal government," advises Thomas Jefferson, "which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government. . ."

Dr. John Witherspoon, the only active clergyman to sign the Declaration, gives us a final insight into the spirit of freedom:

"A good form of government may hold the rotten materials together for some time, but beyond a certain pitch even the best constitution will be ineffectual, and slavery will ensue. On the other hand, when the manners of a nation are pure, when true religion and internal principles maintain their vigor, the attempts of the most powerful enemies to oppress them are commonly baffled and disappointed."

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Craig Russell

The Morality of Profit

ONE of the banks on Main Street lends a display window to local community groups. Recently featured there was a food co-op. Prominent in the display was a sign that read, in large black letters, FOOD FOR PEOPLE, NOT FOR PROFIT. This implied that there was something wrong, something immoral about profit; that if something was for profit, it couldn't be for people.

I don't sell food, but I do sell remaindered books and operate a paperback exchange. I own the building my bookstore is in; I live behind the store and rent the apartments upstairs. Both my books and my apartments are for people, and both bring me a profit. My income is completely dependent on customers who buy my books and tenants who rent my apartments. I do not get a regular paycheck. Each week, indeed, each day, is different and brings a greater or lesser reward for my efforts. How much money I have to pay the mortgage, the taxes, the utilities, and the other bills owning a house and a business entail—even the amount I have for food—is entirely up to the public. I cannot force them to support me. I can't even force them into the store or the apartments. They have to come of their own free will. They have to come because they want to.

How do I get them into the store? I attract them by offering the best

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books I can find at the best possible prices. First, of course, I have to buy the books. There are several companies out there bidding for my business. One of them, my main supplier, sells me books in quantity. Though I don't know what titles I'm getting, I do know the price is better than any other company's I deal with, and the more books I buy at once, the lower the per-copy price. I then supplement what I have with specific titles from other companies. They charge more but I choose exactly what I want.

Supply and Demand

What then do I charge for these books? Certainly I can't sell them for cost. If I did, I'd quickly be out of business. Instead, I charge as much as I can for them. Just as the customer wants the most for his money, I want the most for my product. I want to pay my bills, I want to eat, I want my store to grow and improve, and I want to save for those days when I don't make very much. It's not only in my interest to get the best price I can but in my customer's as well because the more profit I make, the more secure the business will be and the more books I'll be *able to stock, giving my customer a* wider and wider selection to choose from.

Naturally, I can't sell the books for as much as I'd like, only as much as I can get. For one thing, I have direct competition. In the paperback exchange on Main Street, a customer trades in two books to get one free. In mine, he turns in one book to get another of equal value for 25¢. The other bookstore on Main Street sells a few remainders as does the one in the mall, though neither has as many as I do and their prices are higher. I also have indirect competition in the form of bowling alleys, movie theaters, libraries, and every other place people patronize in their leisure time.

My usual price for remainders is $1.98, though I do have a few at $2.98. Most things marked higher won't sell; to my customers, $3.98 is just too much money. Therefore I can't make more profit by raising my prices, only by lowering my costs. I make more profit on books from my major supplier, because my costs are lower, than on those from my minor suppliers. I also lowered my overall costs by building my shelves myself rather than buying them and by running my business out of the same building I live in rather than renting a separate place.

My apartments have to be profitable, too. Indeed, why should a tenant pay my cost for the apartment? He did not have to put a down payment on the building. He does not have a mortgage and is free to leave on thirty days notice, or less if he wants to forfeit his security deposit, whereas I'm tied down here. He is

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not responsible for the taxes, the utility bills, the maintenance, or the repairs; I am.

Competition Defines How Much the Market Will Bear

How much do I charge, then? As with my books, I charge as much as I can. And again as with my books, it's in the tenant's interest to do this as well as my own. If I charge too little, I won't have enough for improvements or repairs. If the tenant's refrigerator breaks down, or the roof springs a leak, I won't have enough money to fix it. Two years ago, the city government here started enforcing its housing code. Without profit from rents, I would not have been able to afford the $1000 it took to bring the house up to code, and my tenants may well have been evicted by the city! It's in the tenant's interest as well as mine to charge as much as I can because that's our only insurance that the house won't deteriorate.

Still, I can't charge as much as I'd like because there is competition in rentals just as there is in books. If I want too much, the tenant can always find another place at a more attractive price. The way to increase my profits here, as with my books, is to lower my costs. For example, several years ago I had the building insulated. While it was a high initial cost, it has since more than paid for itself by cutting my monthly fuel bill in half.

To say "food for people, not for profit" is to misunderstand the necessity of profit. Without it, there may well be no food. You only have to think of the starving millions in Africa, or the chronic food shortages in socialist countries around the world, to realize that. Without profit, there is no production. With profit, production is abundant because production is what benefits others, and if you don't benefit others with goods and services, they won't benefit you with money.

The slogan also makes a false distinction and fails to understand the morality of profit. There is no either/or here; profit is not to the exclusion of people. The two go together. Producers, after all, are people too. I do not steal from my customers and tenants when I sell and rent. We exchange. We satisfy and benefit each other by trading what we have for what we don't have. Both sides gain in free market transactions. Once I've lowered my costs and raised my prices as much as possible, the only way I can profit further is to benefit more people, who in turn benefit me. This, then, is the essential, inescapable morality of profit: people helping people and improving each other's lives.

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Bettina Bien Greaves

Language Traps

THE ORIGIN of language is shrouded in antiquity. No matter how we may speculate, we can never really know how language actually started—long, long ago before the dawn of history. Words may have begun as grunts and cries of fear, joy, expressions or interjections. Or perhaps as attempts to imitate the sounds of nature, the cries of wild creatures. Modern linguists are inclined to believe, however, that words developed as people tried to express themselves vocally and to describe reality through symbols. The origin of language is not as important for us today, however, as what language is and how it enables us to express ourselves.

Language is a major tool for communicating. It has helped to unify societies and to develop cultures. It has encouraged individual expression and intellectual development. Language permits us to transmit knowledge from person to person throughout society and down through the ages. Thus, language makes it possible for us to learn, not just from our own personal experiences, but from other persons, even from many who lived far away and long ago. Properly used, language can facilitate teamwork and cooperation, making increased production possible. If misused, however, it can mislead, distort and misrepresent, its words becoming veritable "language traps." To communicate

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Mrs. Greaves is a member of FEE's Senior Staff. In February she gave a series of six lectures, in Spanish, to students at the Universidad Francisco Marroquin in Guatemala. This is a slightly shortened English version of one of her talks.

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successfully, therefore, it is important to choose one's words carefully so as to convey the ideas we want to express and avoid misunderstandings.

An Ongoing Process

The development of language is an ongoing process. It is evolving continually as people conceive of new ideas and want to pass them along to others. Many persons, specialists, scientists and scholars, often find existing words inappropriate for their purposes. As they seek to express themselves ever more precisely they enrich our language. Thus, new words are being created every day, some by specialists, some borrowed from other languages and other cultures. To accommodate new ideas, fads and fashions, as well as expanding scientific knowledge, the usage and meanings of old words also change from time to time. Witness the many new words and terms that have entered our language with the Beatnik generation, for instance, and the development of electronics and computers. Some new words and new meanings for old words prove helpful and in time are accepted into language; others tend to confuse rather than to clarify and are eventually dropped and forgotten.

After World War II, the German people found they had not only to clear away the rubble left from the bombings. They had also "to revive the German language" to undo the damage done by Nazi propaganda. German novelist Hans-Werner Richter noted in a recent interview (*Pan American Clipper*, July 1983):

> After 12 years during which German had been distorted to a mumbo jumbo of Nazi propaganda . . . even ordinary words had lost their true meanings. You couldn't use such words as *heart*, *spirit*, *blood*, *soil*, *folk*, *country*, because during the Third Reich they had acquired a sense and implication that those of us who returned from the war rejected . . . Then, slowly, we began using traditional words and expressions again, though very cautiously, in order to give them once more their lost meaning and content.

Leonard Read, FEE's President from 1946 until his death in 1983, used to tell a story to illustrate how the words we hear and use can influence not only language but also thought. In 1947, Read attended the founding meeting of the Mont Pelerin Society in Switzerland. Also attending the meeting were Ludwig von Mises, "dean" of Austrian economists, and Walter Eucken, noted German professor and free market economist. Eucken had lived in Germany throughout World War II. Though a critic of the Nazi regime, he had been so well respected that the authorities had left him pretty much alone. Eucken addressed the Mont Pelerin meeting. After hearing him speak, Mises commented to Read, "It is amazing how the Nazi

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jargon has unwittingly been admitted into his speech. He always spoke such perfect German and he used to be a good economist." Through its jargon, the Nazi propaganda had even affected the economic ideas of Eucken, one of Nazism's most severe critics.

In the Mises seminars at New York University, which I attended for many years, Mises frequently spoke of the importance of carefully choosing one's terminology. He often warned against using mechanical terms or similes and metaphors from the physical sciences to explain human action. As shorthand expressions, they may be helpful at times to illustrate an abstract point. However, the danger exists that such similes or metaphors may be taken literally. Moreover, they are never really suitable for describing human action, which is always purposive, intentional, never mechanical.

Some words are appropriate, others inappropriate, for expressing the ideas we want to convey. Some may actually conceal and distort the meaning we have in mind. And, as we have seen, some may even change the opinions of those who use and hear them. Among the worst offenders nowadays are words that have been borrowed by economists from the languages of violence, mechanics, the physical sciences and mathematics. Such words may even become "language traps."

Terms of Violence

Consider the word "revolution," with its two basic meanings. The first comes from the verb "to revolve," meaning to rotate around a single point, the second refers to the violent overthrow of a regime. "Revolution" was first applied to the industrial world by writers who noticed the important technological developments of the late 18th and early 19th centuries. They obviously did not consider these developments to be rotating around an axis; rather they used "revolution" to describe the overturn, within a fairly short period, of earlier production methods. " 'A revolution is making,' said Arthur Young in 1788 when he saw the textile machines spread from the cotton to the woolen industry." The Marxians later drew a parallel between the technological "revolution" that was taking place and the changes in political and intellectual life which they hoped that "revolution" would bring about.

Careful historians know that the old order was not "suddenly broken in pieces by the mighty blows of the steam engine and the power loom," as sociologist and economist Arnold Toynbee (1852–1883) put it. From 1760 to 1830, industrial production was going through "the slow gradual process of economic evolution. . . . [there was] no sudden shift of scene" but rather "a constant tide of progress and change, in which the

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old is blended almost imperceptively with the new." (E. Lipson, *An Introduction to the Economic History of England*). Economic historian T. S. Ashton also deplored the use of the word "revolution" in this context for, as he writes:

> The word "revolution" implies a suddenness of change that is not, in fact, characteristic of economic processes. The system of human relationships that is sometimes called capitalism had its origins long before 1760, and attained its full development long after 1830. (*The Industrial Revolution*, 1944/1964. p. 4)

The factory system with its assembly lines did not spring full blown from the system of medieval hand-tooled production to destroy the small scale industry with a single blow. Yet that is the implication in Toynbee's use of the term. And since his day, the phrase, "industrial revolution," has gained broad acceptance in our language, carrying with it the connotation of violence and the implication that the changes wrought by the "industrial revolution" were antagonistic to the interests and wants of the people.

Terms of violence—"strike" and "pickets"—are also used to describe the activities of modern labor unions. To "strike" implies the use of force. The word "picket" originally referred, in military terminology, to the pointed posts or stakes used to build a defensive stockade or to the soldiers ordered to stand guard around a military position. Literally speaking, "peaceful pickets" and "educational picketing," dignified by references in U.S. Supreme Court decisions, are contradictions in terms.

Members of modern, specially privileged, labor unions are often not prohibited from using force or threat of force. And when they "strike" or "picket" their previous places of employment, they sometimes actually engage in acts of violence. So terms of violence may not be inappropriate to describe *their* activities. However, such terms are not suitable for describing the peaceful employer-employee relations of a free market society.

Nor are terms of violence suitable for describing the other processes of free and open competition on the market. Nevertheless, frequent references to "cutthroat competition," "the law of the jungle," and the like, appear in the popular economic literature. Persons who understand the principles of human action and the market process look on the operations of the market from a very different perspective.

Competition

Competition in the marketplace is part of a cooperative process rather than a physical struggle among entrepreneurs, investors, workers and selling personnel. All these various categories of producers cooperate in

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the effort to attain their common goal, to try to serve consumers better. Producers of the same or similar products may sometimes feel as if they are in a race with one another. Yet a producer's prime goal is not to destroy or defeat others. Rather each is looking for ways to provide consumers with something they want more than the other goods and services then being offered.

The fact that many consumers are demanding the same or similar items does not make them turn on one another tooth and claw. Rather it works to their advantage. It stimulates increased production and makes economies of mass production possible. Everyone who wants a hammer, a television set or any other item, benefits from the fact that other people also want hammers and TVs, for instance, for it leads producers to manufacture *more* hammers and TV sets, *better* hammers and TVs, *cheaper* hammers and TVs or *better and cheaper* hammers and TVs. And the demands of many producers for specific raw materials, or specialized workers, for instance, help other producers of the same or similar products in an unanticipated way—by inducing savers and investors to enter and/or to expand those particular fields of production.

Thus, market competition results in a complex process of cooperation among producers of all the goods and services needed at every stage of production to transform and transport raw materials from their natural state into finished goods in the hands of final consumers. This process bears no similarity at all to anything like brutal "cutthroat competition" or "the law of the jungle."

Terms from the Physical Sciences

The tremendous advances made in the physical sciences, especially during the last hundred years, has led to remarkable technological developments. We now enjoy the fruits of countless inventions undreamed of only a few decades ago. Many of these improvements were made possible because the physical scientists could conduct controlled experiments, analyzing physical phenomena quantitatively as well as qualitatively.

As the prestige of the physical sciences has advanced, many persons have come to expect that the science of human action, economics, should also be transformed from a qualitative to a quantitative science. Yet both the subject matter and the methodology of the science of human action are very different from those of the physical sciences. The terms that describe and explain the one are not suitable for describing and explaining the other. They may even become veritable "language traps," distorting meaning, leading to misunderstandings and preventing the clear expression of economic ideas.

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Economics deals with the conscious, purposive actions of individuals, based on their ideas, ideas which are always changing. Neither ideas nor actions can be quantified or measured as physical phenomena can be. Moreover, there are no constant relations in the field of ideas and actions, so that controlled experiments are impossible. Yet it is the actions of individuals on the basis of their ideas that make the economy, the market, which economists study. Without individuals, ideas and actions, there would be no economy, no market. Thus, market phenomena are always the outcomes of the conscious and purposive actions of living, thinking, acting individuals, not of machines, automatons, or robots.

Social Cooperation

Social cooperation and the market began countless centuries ago as people discovered that it was to their advantage to cooperate, divide the labor, specialize and trade the results of their efforts. They learned they could increase the total amount of goods and services produced and thus improve the situation of all participants. As people became aware of the benefits of social cooperation, society developed. Thus, society itself, as Mises points out, "is a product of social cooperation." And the market evolved gradually over centuries, out of countless conscious and purposive actions of individuals, as people reached out to touch more and more persons throughout the world.

As individuals noticed more and more opportunities to gain through cooperation and trade, the complexity and extent of their cooperation increased. The division of labor became more and more specialized and trading transactions expanded. Step by step there evolved the extremely complicated and interrelated production processes and far-reaching market transactions we see today, which make it possible for all of us to have and consume goods and services that come from many lands. The long-term, large scale, effects of this widespread social cooperation, dovetail so perfectly that it is tempting to look on the market as something that functions "mechanically" or "automatically." While it is true that today's social cooperation and market arrangements were not consciously planned, it is not true that they are in some way "mechanical" or "automatic." Each of the many separate steps that led to them was purposively undertaken by some individual or individuals.

It is to the credit of Friedrich Hayek, winner of the 1974 Nobel prize in economics, that he has explained explicitly that "the spontaneously grown institutions" such as private property, the market, language, media of exchange (i.e., moneys), moral codes, and so forth, al-

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though not intentionally designed by men are in effect man-made, in the sense that they are the outcomes of countless purposive individual actions. Hayek cites the early English economist, Adam Smith (1723–1790) who noted that man in society is led "to promote an end which was no part of his intention." He also refers to his Austrian predecessor, Carl Menger (1840–1921), who considered "the major problem of theoretical interpretation" to be "the origin of social structures arising unintentionally."

Orderly Activities

The actions of the unnumbered millions who have participated in the market may each have been planned by an individual, i.e., they were all "micro." Certainly, they were all conscious, purposive, intentional, and not "automatic" or "mechanical." However, *no one* intentionally planned the totality of the results, i.e., the "macro" effects. The overall results, though unforeseen, appear "orderly" and are generally beneficial to society. Hayek explains in *The Counter-revolution of Science* that "the independent actions of individuals will produce an order which is no part of their intention." As he puts it there is nothing mysterious in the fact that: ". . . money or the price system enable man to achieve things which he desires, although they were not designed for that purpose, and hardly could have been consciously designed before that growth of civilization which they made possible . . ."

Hayek is well aware of "language traps." In *The Counter-revolution of Science*, he specifically calls attention to the fact that "the term institution itself is rather misleading in this respect as it suggests something deliberately instituted." (p. 83). Hayek certainly must appreciate also the difference between the way things "grow" in nature and the way human institutions develop out of the conscious actions and choices of individuals. Yet, enchantment with the phrase "spontaneously grown institutions" can easily lead one into a "language trap." It is most important not to forget that Hayek's "spontaneously grown institutions," though not specifically conceived or intended by man, are actually outcomes of many separate, conscious, purposive actions of individuals.

Adam Smith's "invisible hand" metaphor is somewhat analagous to Hayek's "spontaneously grown institutions." Smith's "invisible hand" metaphor dramatized the fact that, thanks to market forces, the structure of prices and free and open competition, no Production Czar was needed to control production and equate supply and demand. Yet, some of Smith's admirers have fallen into a "language trap" Smith certainly didn't intend to set. They have

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interpreted his phrase to imply that an all-knowing, all-powerful God actively intervenes in human affairs to assure that supply on the market will tend to equal demand, and vice versa. This misinterpretation reinforces Mises' words of caution that similes and metaphors may lead to misunderstandings if interpreted literally.

Individuals Choose

Persons who introduce into economic discussions and analyses terms from the fields of the physical sciences and mechanics fail to understand clearly the nature of economics. They do not realize that economics deals with personal ideas and conscious actions of individuals which are neither quantifiable nor measurable. Nor do they realize that there are no constant relations in the field of human action. There is nothing "automatic" or mechanical about the market. Using terms that imply that there is denies, in effect, the essence of market transactions based on individual ideas and subjective values and purposive actions. It ignores the inevitability of change and may very well mislead unwary users into unfortunate "language traps." Thus such terms as "market mechanism," "automatic forces of the market," "business cycles" or "equilibrium prices" are never appropriate for describing market phenomena.

Terms from Mathematics

The current infatuation with aggregate economics and computers has enhanced the popularity of mathematical terms for describing market phenomena. However, they are not appropriate for dealing with the principles of human action. To understand why not, consider the origins and definitions of mathematical terms.

When physical scientists analyze the world and the universe, they seek to describe distance, area, weight, volume, time, sound, heat, light, and so on, in units of measurement that do not change, or at least do not change perceptibly enough to distort the particular measurements being taken. Each unit of measurement is related in some way to the physical world itself. Units of distance and area are defined in terms of the earth's surface. The unit of time by which we reckon years, months, days, hours, minutes and seconds, is based on the rotation of the earth and the movement of the stars. The weight of an object is a measurement of its resistance to the earth's gravitational pull, i.e., according to *Webster's New Collegiate Dictionary* (1951), weight is "the force with which a body is attracted toward the earth. It is equal to the mass of a body multiplied by the acceleration due to gravity." Volume is a measure of solid content, or a dry or liquid measure.

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Various scales have been devised to record temperatures—Centigrade, Fahrenheit, Kelvin, Reaumur, etc.—all easily convertible for "on each of these [scales] are two fixed points, the melting point of ice and the freezing point of water under standard pressure" (*The Columbia Encyclopedia*). The most frequently used units of measurement for heat are the Calorie and the British Thermal Unit, both defined as "the amount of heat required to raise the temperature [of a certain amount] of water at its maximum density one degree" Centigrade or Fahrenheit, respectively. Scientists can also measure sound, heat and light now by the waves they emit.

Units of Measurement

These units of physical measurements are all precisely defined. They do not deal with ideas, opinions or values. Scientists may mismeasure or misread measurements. Their instruments may be wrongly calibrated. Their very attempts to measure an element may raise or lower its temperature, influence its chemistry or physiology in some way and so affect the measurements taken—the Werner Heisenberg principle. Their experiments may go awry and their interpretations of their results may vary. However, the existence of such difficulties does not affect the basic fact that physical scientists can deal with physical objects as if they are constant, or variable only within certain inconsequential limits. And they can expect that physical experiments and measurements carefully carried out, under controlled conditions, will be precise and accurate.

Mises used to say, "economics is not potatoes." Rather economics is a study of the ideas, actions and values of men. The study of economics provides the theories and understanding that help men determine how best to supply consumers with precisely enough potatoes, neither too few nor too many, so as to satisfy their demands for potatoes without wasting time, labor and other resources, resources that might better be used to satisfy other market demands, more urgent than the demand for more potatoes. This, in essence, is the "economic problem."

Now it is true that some of the *consequences* of conscious, purposive human action may be measured in mathematical terms. The raw materials and agricultural products brought forth from the earth, potatoes for example, may be counted, measured and weighed. The physical goods produced with the cooperation of entrepreneurs, investors and workers may also be totaled and measured in various ways. However, these physical goods and services are distinct from the values men place on them and it is their values to men that interest economists.

Economics is the science of human

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action, of individuals, their ideas and values. It deals, not with physical phenomena, goods and services themselves, whose size, weight, volume, heat, cold, light, sound, and the like can be measured—but with human responses to them—emotions, sensations, feelings, values and the ideas they evoke. Such responses are personal and subjective. They can only be compared by the individual experiencing them. It is not even possible for an individual to measure his/her emotions, sensations, feelings, values and ideas, nor to compare them with other persons' emotions, sensations, feelings, values and ideas. And there is certainly no universal, constant, scale of measurement, that can be precisely defined and calibrated, against which the emotions, sensations, feelings, values and ideas of one, several, many or all persons may be measured.

A Study of Human Action

If we forget that economics is a study of human action and begin to look on it as being concerned simply with the production of potatoes—or of the many and sundry other goods and services on the market—it becomes tempting to describe economic phenomena in terms of mathematical "language traps." However, the popular mathematical terms frequently applied to economic concepts—the "balance of payments," "price levels," "stable prices," the "rate of profit," "market equilibrium," business or trade "cycles," "index numbers"—imply something that is not true. They imply that market phenomena—the outcomes of ideas, values and actions of individuals—are in some way quantifiable, measurable and predictable. Thus, such terms are more apt to mislead than enlighten.

The goal of economics is to try to alleviate insofar as possible the "economic problem," the fact that there is a scarcity of goods and services relative to the demand for them. Economics seeks to determine how best the world's resources should be arranged so as to provide people with the goods and services they want, not too many or too few, without wasting scarce resources. However, this is not a question of technology, mathematical measurement or of business and commerce. Only on the basis of an understanding of the principles of human action and the role of ideas and values can economists determine how individuals should cooperate, divide the labor, exchange the goods and services and calculate so as to plan production to yield the best possible results as valued by consumers. Terms that misrepresent or conceal the contribution economics can make toward alleviating the "economic problem" are "language traps" to be avoided.

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Sven Rydenfelt

The Ecology of Entrepreneurship

J.M. KEYNES' theories with prescriptions promising to cure unemployment and depression were greeted as gospel by economists and politicians of the 1930s. Just as peace-lovers all over the world launched the slogan "no more war," so the newly-fledged Keynesians felt strong enough in their faith to promise "no more depression and mass unemployment."

The Keynesian miracle drug was, in fact, never tested in the thirties. The Second World War came instead. Following the war was the "golden quarter of a century" from 1945 to 1970—a happy period with full employment for which the politicians gladly proclaimed credit.

Then came the 1970s and the birth of a severe economic crisis, a social plague developing into a virtual depression with mass unemployment. At long last the Keynesian drug could be tested to prove its healing powers.

Despite governmental borrowing in volumes Keynes never dreamed of, with doses rapidly increased into wild overdoses, the economic crisis spread. The awkward truth finally became clear: the miracle drug was a failure, producing no visible healing effects. Still, the politicians stubbornly refused to open their eyes and desperately continued to increase the Keynesian doses.

New theories and new remedies were sorely needed, and out of the travails of the crisis new theories were born. One of them will be presented here. The *theory of entrepreneurship*, explains the roots of the

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crisis and indicates ways out of it. And the time evidently is ripe for the new theory, dry soil is waiting for rain and seed. The idea is spreading even into the camps of the enemies, even into Socialist governments of the West where officials today speak of the necessity of creating a better economic climate for business and declare themselves prepared to accept higher profits.

Austrian Economics and the Entrepreneurial Role

The ideas of the new theory can be traced back to the 18th century where one of the pioneers, the French economist J.B. Say, added to the three classic factors of production—land, labor and capital—a fourth factor, the entrepreneurs. These ideas were further spread by the Austrians Mises, Schumpeter and Hayek as well as by modern American economic historians like Douglass North and Robert Thomas.

Many economists have contributed to the work, but so far only Professor Israel Kirzner at New York University has presented a coherent theory of entrepreneurship. The theory, however, is far from finished and complete, and different versions have been presented by different authors. The interpretation here is my own.

I especially want to emphasize the close relation to modern ecology, the science of the dependence of all living beings on the environment. While Keynesianism is a mechanistic theory, treating society like a machine you are able to control by means of "social engineering," the theory of entrepreneurship is fundamentally humanistic. Everything in society is produced by human beings, whose performances are dependent not only on the physical environment but as much on the political and economic one.

In an unfavorable environment we, as a rule, develop only a fraction of our possibilities, while in a favorable one we are able to develop our full potential. If economic growth with full employment and rapidly increasing living standards is to develop in a society, among other production factors the following three must be present:

1. Capital
2. Entrepreneurs
3. A favorable entrepreneurial environment

The third factor is by far the most decisive. In every society there are *key groups*—in medicine the doctors, in education the teachers—and if society is to function well these groups must be offered adequate incentives to do their best and develop their full potential.

In all societies a minority of people are equipped with entrepreneurial talents enabling them to start, manage and develop enterprises. This minority holds the key to business

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productivity, growth and employment. But they will use their special talents fully only in an environment with adequate incentives. In such an environment they will attract or create the necessary capital.

Modern growth theory has, as a rule, concluded that the shortage of capital is the deciding cause of poverty in under-developed countries. Moreover, the theory holds that the provision of capital via aid from the industrial countries should be sufficient to start economic growth in the poor countries. Vast discouraging experiences indicate that this theory is not realistic.

Capital, according to the theory of entrepreneurship, is a necessary but not a sufficient condition. According to this theory the cause of the dismal experiences is the fact that the regimes of these countries, mostly socialistic, have systematically oppressed and exploited their entrepreneurs. Policies destroying the entrepreneurial environment must have counterproductive effects.

Similarly, the theory of entrepreneurship is able to explain the economic crisis of the 1970s and 1980s in the West. During the golden quarter from 1945 to 1970, the entrepreneurs were allowed to work and produce in a largely favorable environment. Stimulated by adequate incentives, they developed such productive energies that many governments had to apply brakes on their wild investment plans, brakes in the form of special taxes and fees. Not unemployment, but a shortage of labor, was the problem during this period.

Economic "doctors" of the present crisis often try to explain hardships as a product of "technological unemployment," resulting from labor-saving machines and devices such as computers and robots. But such explanations are mere nonsense. All machines since the industrial revolution in the 18th century have been "labor saving." In spite of this, shortage of labor was still the problem in the 1960s. Since the 18th century the bogey of "technological unemployment" has been picked up from dark closets during all slumps and depressions and sent back to its hideout whenever better times arrived.

Just like garments and other cultural manifestations, governmental policies are strongly affected by changes of fashion. In the entire Western industrial world the 1970s meant a rapid expansion of state regulations, restricting the freedom of entrepreneurs. Simultaneously, the increasing taxing of firms and entrepreneurs was transformed into confiscation policies. In total, this meant a systematic destruction of the entrepreneurial environment.

An obvious conclusion arises from the entrepreneurial interpretation of the present Western crisis. A sit-

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uation with full employment and rapid growth—a situation similar to that prevailing before the 1970s—can be created only by restoring economic environments with adequate incentives for the entrepreneurs.

Critics often object that such policies would imply the establishment of a new privileged class—the entrepreneurs. However, policies producing adequate incentives for entrepreneurs should be pursued not for the sake of the entrepreneurs but for the sake of the unemployed and other victims of the crisis.

In countries like the U.S.A. and Sweden we have the best educated and most healthy manpower of the world. But what is the use of these unique resources as long as our politicians systematically kill the incentives—and possibilities—of our entrepreneurs to invest and to create jobs?

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IDEAS ON LIBERTY

Factors of Production

PHYSICAL EXERTION turns into a factor of human production when it is directed by reason toward a definite end and employs tools and previously produced intermediary products. Mind—reason—is the most important equipment of man. In the human sphere, labor counts only as *one* item in a combination of natural resources, capital goods, and labor; all these three factors are employed, according to a definite plan devised by reason, for the attainment of an end chosen. Labor, in the sense in which this term is used in dealing with human affairs, is only one of several factors of production.

. . . Entrepreneurial judgment directs the toil of the workers and the employment of the capital goods toward the ultimate end of production, the best possible removal of what causes people to feel discontented and unhappy.

LUDWIG VON MISES

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John K. Williams

Redigging Old Wells

TUCKED away in the book of *Genesis* is the simple report of an incident referring to the Jewish patriarchs Abraham and his son Isaac. When residing in the arid wasteland that was Gerar, Abraham labored long to dig wells. Years after his father's death, Isaac returned to Gerar. The Philistines, he discovered, had filled Abraham's wells with earth and sealed them off. So Isaac, as the Biblical writer puts it, "dug again the wells . . . of Abraham his father . . . and gave them the names his father had given them."

The story tells of a gain achieved, a loss suffered, and the recovery of what had been lost. This sequence of events is a commonplace of human history. Men and women again and yet again have faced two distinct tasks: on the one hand, new gains to be made; but on the other hand, old gains to be re-won. New wells to be dug, yes; but also old wells, filled over the passing of time with rubble, to be dug again. The former task may be more dramatic than the latter, but the importance of redigging wells first dug by our forefathers cannot be minimized. In a sense, Samuel Johnson made the point when, some two centuries ago, he said, "The number of new things we need to know is small compared with the number of old things we need to be reminded of."

Reminding ourselves and others of old truths easily forgotten—redigging old wells dug long ago by our forefathers but filled up and sealed

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This article is from a seminar lecture at the Foundation for Economic Education.

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off by the Philistines of our age—is a task those of us committed to the cause of liberty cannot shirk. For the task, I submit, is urgent.

Human Rights

The first such well is the well of human rights.

The distinction between a "human right" and a "positive" or "contractual right," should be clear. Unfortunately, however, it has not proved clear to some. In particular, I think of an influential British philosopher, Thomas Hill Green,[1] who last century argued that the mere absence of an obligation to surrender some good or desist from some activity was vacuous. What mattered was the actual ownership of the good or successful execution of the activity. My "right" to climb a mountain is useless, according to Green, if I lack the equipment and skills necessary to execute a successful climb. Green's claim is echoed by those who mock the notion of human rights by asking what use to an impoverished person is the "right" to enter an expensive restaurant and dine?

In this way, the notion of a human right was transformed. My right to own a wrist-watch signifies for many today not simply the obligation of other people not to force me to surrender a wrist-watch I have legally acquired, but to *provide* me with the wrist-watch. Immediately any notion of "equal rights" vanishes, for two sets of people have been specified: those entitled to receive certain goods and services, and those obligated to provide those goods and services. The assertion, for example, that the wealthy are obligated to provide goods and services specified by the alleged "rights" of the poor, cannot be referring to a "human right." The alleged "right" rests *not* upon what all people have in common—their humanity—but upon *what they do not have in common.*

Privileges for Some—Obligations for Others

I submit that claimed "rights" generating positive privileges for some and positive obligations for others are but arbitrary claims given muscle and a measure of respectability by the State. Such "rights" have nothing whatsoever to do with what your forefathers meant by "unalienable rights." Your forefathers were moved by the vision of a society without castes or classes or legally privileged elites of any kind. Those who today advocate and agitate for an exponentially increasing number of "positive rights" are necessarily *demanding* a society of caste and of class. The alleged "rights" of some to particular goods and services obligate others to provide those goods and services. The alleged right of a set of people described as the "poor" to, say, a minimum income obligates the wealthy to surrender what is

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theirs, namely some of their allegedly "excess" wealth, and in principle could well be appealed to as obligating the wealthy to *create* that "excess wealth."

The result is disaster. Society collapses into a hostile contest between special interest groups jockeying for government-conferred privileges. The politics of principle reverts to the politics of patronage. *De facto*, benefits typically go to well-organized and concentrated groups who know what they have been given, and the costs are carried by dispersed and disorganized people who do not know what they are paying. A government performing the vital task of protecting the equal rights of all degenerates into a "hit man" enforcing the special privileges of some.

Yet the vision remains—the vision of men and women endowed by their Creator with a common humanity and thus enjoying equal human rights. With that vision goes a task: the task of redigging a well our forefathers dug and named the well of human rights.

Property

The second well needing such redigging is explicitly named in the Virginia Bill of Rights. Among the "inherent rights" enjoyed by all are, "the representatives of the good people of Virginia" declared, "the enjoyment of life and liberty, *with the means of acquiring and possessing property*, and pursuing and obtaining happiness and safety."

It has today become fashionable to downplay the importance of private property rights. I refer not to Marxists and collectivist anarchists who attack the institution of private property as such, but to the mentality which displays itself in such slogans and bumper stickers as "Human Rights Before Property Rights" and "People Before Property."

The first point I would make should not have to be made. Property rights *are* rights ascribed to people; they are not "rights" ascribed to inanimate objects. Doubtlessly, sooner or later groups of people will start agitating for the "rights" of porridge, plums, and protons—indeed I was enchanted to receive in my mail recently an appeal from some people mightily concerned about the "rights" of the Eucalyptus Gum Tree—but we can, I think, defer discussion of this particular manifestation of sheer lunacy. Property rights *are* human rights.

Property rights as such are inescapable. In any conceivable society, decisions have to be made as to how material goods are to be utilized—in one way rather than in another; for this purpose rather than for that purpose. Rules specifying who, legitimately, may make such decisions are describing "property rights." Maybe a solitary dictator is the legitimized decision maker. Or maybe

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members of an aristocracy or a particular political party. The "who" does not affect the nature of the rules. The rules are specifying property rights, and such rules are inescapable.

My second point is less obvious. It draws upon an argument skillfully elaborated by Murray Rothbard.[2] If "human rights" are to mean anything, they must be earthed and grounded in property rights. States Rothbard: "Not only are there no human rights which are not also property rights, but the former lose their absoluteness and clarity . . . when property rights are not used as the standard."[3]

The point is that human beings are material creatures living in a material, spatio-temporal world. They are not pure, unextended spirits. In the language of the author of *Genesis* chapter three, man—*adam*—is "of the earth"—*adamah*. Abstract "rights" unrelated to matter, space and time are utterly vacuous when ascribed to a being who, if he or she is to act at all, must act in a material, spatio-temporal world.

You visit, let us say, the country of Willania. You are informed that you enjoy, in Willania, a right to free speech—that is, you are not obligated to refrain from speaking freely. You are further informed, however, that you *are* obligated to desist from seeking to own, rent, borrow, or beg any space you may fill with sound waves. You are told, in other words, that while enjoying a right to free speech, you do not enjoy a right to own, rent, borrow or beg a hall or any other physical place where you may engage in such speech. You realize your alleged right to free speech is a joke. It means nothing whatsoever.

You learn, likewise, that in Willania there is a right to a free press. Individuals or sets of individuals do not, however, have the right to own, borrow, or beg paper, ink, printing devices of any kind, or any space where they may sell or give away tracts, pamphlets, newspapers, or whatever. Again you laugh, for the alleged "right" signifies nothing at all.

Material Rights

In *my* language, the word "right" must become "flesh." The "rights" of material creatures must themselves relate to material realities. If they do not, they signify nothing at all.

Let me underscore that, just as my "right" to climb a mountain indicates merely that I am not obligated to desist from attempting to climb the mountain, rather than some guarantee that I shall succeed in that endeavor, so my "right" to property does not signify that I will succeed in acquiring property. My "right" to free speech does not obligate anyone to provide me with a place *where* I can speak or an audience *to* whom I can speak. The in-

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stitution of *private* property certainly makes it more likely that an individual will succeed in acquiring, directly or indirectly, the material goods necessary to exercise a "right" than does a set of rules establishing, say, that members of a particular political party "own" and thus determine the use of scarce material resources.

It is unlikely that the politically determined controllers of resources would grant me access to the ink, paper, and printing equipment necessary to publish materials attacking a politically based system of property rights. If, however, the owners of printing presses in a society coordinated by a system of private property rights believe my tract or pamphlet will sell, or I can otherwise pay them for the use of their equipment, they will, in all probability, happily print a little tract or booklet attacking the institution of private property. Be that as it may, private property rights do not guarantee the realized ownership or temporary control of a material resource. They simply rule out an obligation to desist from attempting to acquire or temporarily enjoy the use of a material resource.

Property as a Standard

Consider Rothbard's second claim: not only are "human rights" vacuous when unrelated to "property rights," but the former "lose their absoluteness and clarity" when "property rights are not used as the standard."

To take an obvious case, consider my claimed "right" to smoke cigarettes. If unrelated to property, this "right" is notoriously vague, and I am forever engaging in attempts to resolve clashes between my "right" to smoke, and non-smokers' "rights" to smoke-free air. If, however, I remind myself that smoking is a physical activity, and that I must, if I am to smoke, smoke in some place, alleged clashes of "rights" are resolved. I own an apartment, let us say. It is for me to determine how that space is used. I smoke in that apartment. My mother, owning her own home, determines how *that* space is used, and finding cigarette smoke unpleasant, she has decided that no one may smoke in her home. There is no problem—save, perhaps, my decision as to whether I shall visit my mother and, if I do, my problem of sitting in the living room and attempting to be civil while craving for a cigarette.

There *are* problems with communally owned property, but the problems are unrelated to the allegedly conflicting "rights" of smokers and non-smokers. The problems are simply related to the difficulty in specifying decision-making procedures, acceptable to all parties, applicable to communally owned and controlled spaces.

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So with a "right" to free speech. Tie that "right" to *where* the physical activity of speaking is exercised, and alleged conflicts of "rights" are resolved.

To reiterate: property rights *are* human rights, hence to speak of human rights taking priority over property rights is folly. Property rights are inescapable, *some* rules determining who legitimately may decide how material resources are to be utilized being inevitable in *any* society. A society embracing human rights, as earlier defined, *must*, if these human rights are to mean anything, ground them in property rights. In the absence of private property rights, individual human rights are utterly vacuous.

The Well of Private Property

Simply, having dug the well of human rights, our forefathers inexorably were led to dig the well of private property.

One can also, I submit, defend the institution of private property on pragmatic grounds. Historically speaking, the lot of the vast majority of human beings has been destitution. Life for the masses has, at nearly all times and in nearly all places, been nasty, brutish, and short. The historical oddity crying out for explanation is plenty, not paucity; wealth, not poverty.

Now an improved material standard of living for all members of a society rests upon sustained economic growth. That means, simply, that a society's output of goods and services must increase more rapidly than does its population.

Sustained economic growth first became a reality in sixteenth-century England and the Netherlands. Why? The population of these nations did not decrease; it increased. These nations did not live by plundering other nations. No remarkable technological innovation can be cited as the cause of this sustained economic growth. Nor can one point to the practice of voluntary exchange as the key, for this practice as such is ubiquitous, being, it would seem, "natural" to human beings of all times and at all places.

What was common to, and uniquely characteristic of, sixteenth-century England and the Netherlands was a peculiar system of *property rights*. And that system constitutes the key to sustained economic growth.

Imagine that you are a farmer. Your farming methods are precisely the same as those of your fellow farmers and your farming ancestors. One year, however, you make a change in your methods, perhaps by accident. That change results in an increased crop.

Given *collective* ownership of the land and its fruits, that increased crop is shared among many. The improvement in the situation of each

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recipient is small, so small that it may not even be noticed.

The Incentive to Change

Suppose, however, that you own the land and its fruits. You *discover* that you have more food for yourself and your family, and an increased surplus you can directly or indirectly exchange for other goods and services. Your situation has improved dramatically. You thus both *discover* that your changed methods of farming lead to increased crops, and are *encouraged* to do what human beings are loathe to do—namely, permanently change the entrenched habits of years. Your neighbors, incidentally, are *also* slightly better off, more food being available for them to buy. Let us call the additional food your neighbors can purchase the "social rate of return" on your innovation, and your own improved standard of living the "private rate of return" on your innovation. As your private rate of return is close to the social rate of return you have every *chance of discovering* a desirable innovation in farming methods, and every *incentive to adopt that change*. The key to this discovery-facilitating, incentive-providing process is the system of precisely defined and efficiently enforced property rights we call private property.

Admittedly, one might attempt to devise alternative systems of property rights which display some of the features of private property rights. A recent volume of essays by mainland Chinese economists addresses the elaboration and implementation of some such system. The authors attempt to tie the income of workers to their productive output, and castigate egalitarianism as an evil which "protects the backward, obstructs the advanced, frustrates the enthusiastic, lowers working efficiency, and is, in general, a hindrance to the realization of socialist modernization."[4] The catch is, however, that an army of bureaucrats and other state officials come between the acting individual and the "information-plus-incentives" *automatically* provided by a system of private property rights.

The discovery and rapid adoption of changes in behavior which improve the material situation of human beings are facilitated by the system of private property rights we call "private property." The system is not "perfect," whatever that may mean in this context, but it is the least inadequate discovery-facilitating, incentive-providing system the human species has yet evolved. A concern for the material well-being of flesh and blood men, women, and children, inexorably leads to advocacy of the institution of private property.

I have called this defense of private property *pragmatic*. Yet it is not, as I have just hinted, without a

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moral dimension. To embrace a collectivist system of property rights and thereby jeopardize sustained economic growth, inevitably misallocate scarce resources, and almost necessarily perpetuate destitution, hardly merits moral acclaim. Indeed, intellectuals in general and church leaders in particular who bewail the continued existence of poverty absolutely defined, and who state that they yearn for a world in which the hungry are fed, the naked clothed, and the destitute housed, *yet* who ceaselessly undermine the very system which, to date, has best done what they claim to value most, are, surely, moral imbeciles.

Conservation of Resources

One could develop the case further. We are told, for example, that private ownership jeopardizes the conservation of scarce resources. Yet consider. Here is a farmer who owns his land. He is anxious that his land should provide a living for himself and his chosen successors tomorrow as well as today. Is *he* likely to adopt methods of farming which produce large profits today, but reduce his land to a desert-like waste? Or is the political controller, anxious to please the short-term wants of a fickle electorate or a demanding Party, the person more likely to exchange tomorrow's productivity for today's killing?

Notice, incidentally, that our private owner's motivation to use his resources with an eye to the future is tied to his ability to *dispose* of what is his as he chooses. Knowing his children and his children's children will inherit his farm, he is even loathe to cut down the beautiful oak tree his own great-grandfather planted, and motivated to seek out some way to retain that tree without substantially reducing his productive output. Those who cry out for the conservation of scarce resources and the preservation of what is of sentimental value, should, I suggest, be in the front ranks of those attacking the iniquitous tax we call "death duties."

But enough. Our forefathers perceived the crucial importance of private property. The well they dug cries out for redigging.

Individualism

I refer finally to an old well usually named Individualism. Other names have been given it, and what already has been said about our forefathers' understanding of human rights and property rights indicates much of what I, at any rate, mean by the word. Frankly, I choose to *use* the term "Individualism" simply because the term, at least in church circles, is so frequently used derogatively. I read, for example, in a parish church bulletin that "capitalism is utterly incompatible with Christian values. In fact it is incompatible

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with any civilized system of values. At its heart lies individualism, and individualism is the opposite of community."

Let me indicate what individualism is *not*. First, it is not a denial of the claim that human beings are social animals. Clearly, the life of the human mind and the joy of the human heart are largely the gifts of fellowship, friendship, and intimacy. In the absence of language, thought, so necessary for a fully human existence would be but rudimentary, and language is an essentially social phenomenon. Indeed, it is necessarily a social phenomenon, as the philosopher Ludwig Wittgenstein so powerfully argued.[5] Evidence exists for asserting that an infant deprived of "tender, loving care" is deprived of something utterly vital. The hunger of the human spirit for communion with selves beyond it is a real and almost insatiable hunger. The Individualist in no way denies that the achievement of an authentically human existence, in both the cognitive and affective domains, is a cooperative enterprise, not a solitary endeavor.

Second, the Individualist does not deny his material dependence upon other people. He does not, unless he is an extremely foolish Individualist, pretend that he is a "self-made man" or "self-sufficient." He both can, and is wise to, make his own the assertion of Michael Oakeshott that "the greater part of what we have is not a burden to be carried or an incubus to be thrown off, but an inheritance to be enjoyed."

Exercise in Interdependence

Indeed, the free market so lauded by the Individualist is an exercise in interdependence. Before typing this lecture, I purchased a new ribbon for my typewriter. I ambled into my friendly local stationery store, and exchanged what I would earn for approximately half-an-hour's tutoring in Greek Philosophy for a new ribbon. The generosity of the exchange is stunning. Just consider that ribbon. Consider the skills involved in locating, mining, and refining the metals making up the spool, the skills involved in weaving the ribbon wound around the spool and synthesizing the "ink" impregnating the ribbon, the skills in manufacturing the completed object, the skills in making the plastic box and printing the paper label informing intending buyers of the box's contents, the skills in ensuring that my local stationer had on his shelves the appropriate ribbon for a very aged "Royal Typewriter." Literally hundreds of thousands of skills are coordinated through the sheer miracle that is the free market. Interdependence is the very name of the game.

Amusingly, if Individualism signifies a desire for complete self-suf-

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ficiency, Marx and Lenin are advocates of Individualism! Both lament the so-called "alienation" deriving from the division of labor. Their Utopia is an imprecisely described state of affairs where individuals able to do everything for themselves magically emerge. Marx sings of the day when I will be able "to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner, just as I have a mind, without ever becoming hunter, fisherman, shepherd, or critic."[6] Lenin agrees, claiming that with the abolition "of the division of labor among people" a new humanity "of people able to do everything" will be created.[7]

As an unrepentant Individualist, I regard this postulated self-sufficiency as neither a possible nor a particularly enchanting prospect. Frankly, I enjoy being part of the complex web of human interrelatedness that is the free market.

Collectivism in Contrast

If we would understand Individualism, it is useful to look at its contrast, namely, collectivism. An appropriate, albeit not the only possible, starting point is the thought of Jean Jacques Rousseau.

According to Rousseau, a society is coordinated and unified by what he calls the "general will." This will is distinct from the will of any individual or set of individuals. It is neither the "majority will" nor what one might call a "consensus will." Somehow, over and above the individual wills of the members of a community, there actually *exists* this additional will, a will the wisdom and beneficence of which exceeds the wisdom and beneficence of any individual or set of individuals.

Since there is but one general will, there is but one supreme "good" and one over-riding "goal" towards which a community must strive. Individuals and voluntary associations positing other "goods" and other "goals" are thus anathema. Indeed, the Jacobins and Girondins rightly appealed to Rousseau when, during the reign of terror, they outlawed all voluntary associations.

Rulers, by a process Rousseau does not care to elaborate, are somehow sensitive to the dictates of the general will, encoding these in particular laws. Since the ultimate source of these laws is the wise and beneficent general will, it is unthinkable that anyone might challenge these laws. The good citizen is the citizen who actually identifies his own will and the general will. There can be no tension between an individual's *real* "will" and the general will; if such a tension is allegedly experienced, an individual is in error as to what he or she *truly* "wills."

Rousseau displays his full colors when writing on schooling. The State, he insists, must control all

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schooling, and thereby ensure "that children are imbued with . . . the maxims of the general will and [learn] to respect them above all else." The entire objective of schooling is to create citizens who, as Rousseau puts it, "wish only what the community wishes."[8]

Rousseau on Education

Rousseau's best-known volume on education is frequently misinterpreted on this matter—indeed, Rousseau is sometimes cited as a defender of a permissive, child-centered approach to schooling. After all, in *Emile*, the titular hero—a child named Emile—is supposedly freed from the constraints of an adult's will. Emile will learn all he needs to know by freely exploring nature and her necessities. In this way one who is "born free" will remain free, unfettered by the artificial constraints of society. His *only* constraints will be those imposed by nature.

Such a reading of *Emile* overlooks, however, the fact that the pupil has a tutor. The tutor's task it is to ensure that Emile's encounter with nature is systematically fraudulent, for he must so arrange matters that nature will "teach" his charge precisely what he, the tutor, wishes it to teach. "[T]here is," writes Rousseau with a complacency bordering upon cynicism, "no subjection more perfect than that which retains the appearance of liberty." "No doubt," he adds, "[the pupil] must not do anything but what he wants to do, but he ought not want to do anything but what you want him to do; he ought not to take a single step that you have not foreseen."[9]

Why, one might ask, the pretense? Why the elaborate charade? Why is the tutor never openly to show his hand? The answer is simple: what must at all costs be avoided is a clash between the will of the tutor, and the will of little Emile. Compliance with the tutor's will must be perceived by Emile as the exercise of his own will. Thus he is conditioned to perceive compliance with his community's general will as the exercise of his own, "true" will.

Hegel and Marx

Rousseau's influence was considerable. When debates about compulsory, state-controlled schooling resurfaced in your country during the 1830s, the philosopher most cited by advocates of such schooling was Jean Jacques Rousseau.[10] More significantly, the transition from Rousseau's belief in this mysterious "general will" to Hegel's belief that the state was the earthly manifestation of the Absolute or God, was an easy transition.[11] The indebtedness of Marx to Hegel is well known, but the advocates of Fascist and Nazi totalitarianism were no less indebted.[12]

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What has been outlined is the essence of collectivism. The individual will, the individual person and his or her own ideas, values, hopes, and dreams, mean nothing. What matters is the whole of which the individual is a part and which transcends any individual or any set of individuals. The collective—the community—the people—society—the State: *that* is reality. The individual is ultimately a fiction.

To this Individualism says "No." If ten people are on an island, there are ten individual wills and the relationships between them. There is no eleventh will, a "general will" distinct from and other than the individual wills, and the way those ten wills interact. There is not some "thing" called society distinct from ten individuals, their skills, and their relationships. Should one individual seize power and start exacting tribute from his nine neighbors, what exists is nine bullied victims, one bullying ruler, and a set of relationships marked by coercion. No mysterious new entity called "the State" has come into being. To delude oneself into believing that terms such as "society," "community," and "state" signify real entities distinct from human beings, their skills, and their relationships is to fall for what the philosopher A. N. Whitehead calls, "the fallacy of misplaced concreteness."[13]

It is the individual who thinks. Certainly, individual minds can interact and stimulate one another, but thought itself demands a particular thinker. It is the individual who initiates purposive action from within. Again, individuals can decide to join forces and, as we say, "act collectively," but that "collectively acting unit" is not other than or distinct from individual human beings, enjoying particular relationships, individually initiating purposive behavior. It is the individual who perceives, each from his or her own unique spatio-temporal location. It is the individual who dreams, hopes, cares, values, chooses, and loves. Lose sight of the individual in some collective or aggregate or class, and one is in danger of losing contact with reality. So affirms Individualism.

Social scientists are particularly prone to start reifying—that is, turning into existing things—collective terms. I know no better works elaborating this claim than Ludwig von Mises' *Theory and History*[14] and Friedrich A. Hayek's *Individualism and Economic Order*.[15]

Thought through, Individualism inexorably leads to advocacy of the free market in the free society. It leads us to affirm, as did our forefathers, that no human being is a chattel to be enslaved, debased, or dictated to by another. It leads us to challenge all dominations and all tyrannies, all bigotries and all priv-

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ileged classes, all institutions and all social practices, that deny the sacredness of the human spirit.

And it leads us to call deep thanks for those who, many centuries ago, dug a well in the desert of collectivism and privilege, and dug it deep, and called it a name signifying what the word "Individualism" denotes. That well the Philistines have sought to fill and to close. It is for us to start redigging it.

Three wells. Human rights. Private property. Individualism. The damage done by the Philistines is not difficult to see. Nor, however, is our task. How best to go about it each one of us must determine for himself or for herself. In the meantime, we can find strength in the knowledge that there are those whose devotion to liberty we can rely on. I refer, of course to ourselves.

—FOOTNOTES—

[1]T. H. Green, *The Works of Thomas Hill Green*, ed. R. L. Nettleship (London: Oxford University Press, 1889).

[2]M. Rothbard, *The Ethics of Liberty* (New Jersey: Humanities Press, 1982), pp. 113–119.

[3]*Ibid.*, p. 113.

[4]Xu Dixin *et al.*, *China's Search for Economic Growth* (Beijing: New World Press, 1982), p. 122.

[5]L. Wittgenstein, *Philosophical Investigations*, trans. G. E. M. Anscombe (Oxford: Basil Blackwell, 1958).

[6]K. Marx, *The German Ideology* in *Karl Marx: Selected Writings*, ed. D. McLellan (Oxford: Oxford University Press, 1977), p. 169.

[7]V. I. Lenin, *Left-Wing Communism: An Infantile Disorder* (New York: International Publishers, 1940), p. 34.

[8]Cited, *The Minor Writings of Jean Jacques Rousseau*, ed. W. Boyd (New York: Hutchins, 1962), p. 131.

[9]J. J. Rousseau, *Emile* (Paris: Garnier Edition, 1935), p. 114.

[10]*Cf.* J. K. Williams, "The End of Schooling," *The Freeman* (September 1982), pp. 565-73.

[11]G. W. F. Hegel, *Hegel's Philosophy of Rights*, trans. T. M. Knox (Oxford: Oxford University Press, 1942).

[12]*Cf.* Ludwig von Mises, *Omnipotent Government* (New Rochelle: Arlington, 1969).

[13]A. N. Whitehead, *Process and Reality* (New York: Macmillan, 1929), p. 11; *idem.*, *Science and the Modern World* (New York: Macmillan, 1929), p. 75.

[14]Mises, *Theory and History* (Westport: Arlington, 1969).

[15]F. A. Hayek, *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948).

Martin Ten Hoor

IDEAS ON LIBERTY

RESOURCES OF THE SPIRIT are like savings: They must be accumulated before they are needed. When they are needed, there is no substitute for them. Sooner or later, the individual faces the world alone, and that moment may overwhelm him if he has no resources within himself. . . . We can escape our physical environment and our neighbors, but we cannot escape ourselves.

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The American Idea

CONGRESSMAN JACK KEMP'S reputation rests mainly on his supply-side tax legislation, both the Kemp-Roth law that has already been passed and the "fair and simple," or FAST, flat tax which he and Senator Kasten have just introduced. But the more technical aspects of fiscal and monetary reform take up something less than half the space in the book that Kemp has made out of his collected speeches. Called *The American Idea: Ending Limits to Growth* (The American Studies Center, Washington, D.C., 355 pp.), with a foreword by President Ronald Reagan and a preface by Irving Kristol, the book applies the doctrines of the freedom philosophy to practically every aspect of government, from foreign and military policy to the protection of human rights, and from the composition of political parties to the chances for an international conference to restore the gold standard.

Kemp speaks of a coming "American renaissance," and he is himself a modern renaissance man. His college degree was in physical education, and he began his working life as a third string quarterback for the Pittsburgh Steelers. Later, as a first string quarterback for the Buffalo Bills, he doubled as a labor leader, helping to organize the football players union. When still a football player he chanced upon two books, Friedrich A. Hayek's *The Constitution of Liberty* and Ludwig von Mises' *Planning for Freedom*. These saved him from the journey to the Left that a belief in unionism entailed for many pro-labor partisans in the Walter Reuther period.

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From the Playing Field to the Political Route

A Californian who might normally have preferred to return to the Sun Belt after completing a football career in snow country, Kemp was such a favorite with Buffalo fans that he was prevailed upon to remain in the Northeast and run for Congress. He knew that the decline in the steel industry might become his Number One political concern. But he also saw that protectionism would be no permanent cure for Rust Belt or "smokestack industry" troubles.

In one of the foreign policy speeches in *The American Idea* Kemp says: "Shortly after I became a congressman 12 years ago, I became increasingly aware that the problems which afflicted the depressed Buffalo-area district could not be solved by local projects. Buffalo was suffering from problems of national scope, which required solutions on a national level."

This perception caused Kemp to behave more like a Senator than a mere Representative. His Buffalo constituency has forgiven him for his refusal to concentrate on "local projects." As an ex-quarterback Kemp knew the importance of having a comprehensive game plan. He also knew that politics, like football, is a game of margins. Paradoxes had to be accepted, and some philosophical inconsistencies had to be excused at least for the time being.

So Kemp has always upheld the concept of the Safety Net. He does not talk about getting rid of the Welfare State. His political sense tells him that the best way of reducing welfare payments is to make them unnecessary. Hence his emphasis on the supply-side ideas of Jude Wanniski and Art Laffer. The supply-side proposition, as elaborated by Kemp in several of his speeches, is this: let potential savings and investment money flow back into the productive mainstream by reducing marginal tax rates. With new industries starting up and prosperity spreading, the amount of taxation needed to sustain the Safety Net would shrink. And, with more people taking care of themselves in private industry, the national budget deficit would disappear.

The anti-supply-side people, including many Republicans, have scoffed at so-called Laffer Curve thinking. So one of Kemp's major tasks has been to wean Republicans away from their old austerity concepts. "Austerity," says Kemp, "is not the solution. It is the problem."

Money and the Market

Some of Kemp's speeches that criticize the Volcker monetarists are highly technical. But, broadly speaking, Kemp doesn't think it possible for the monetarists to control the supply of money. "Money," he says, "is not chosen by economists or

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government officials. It is chosen by the market, by the common agreement of millions of individuals." Both the Keynesians and the monetarists, in Kemp's opinion, "have underestimated the degree to which people can and do find ingenious substitutes for whatever definition of money the central bankers are targeting. Witness the explosion of money market funds, overnight repos, and overnight Eurodollars, none of which are included in M1." And there is always the question of the velocity of money, which cannot be predicted on the basis of past history.

Kemp, in several speeches, has called for a return to the gold standard. This would substitute automatic controls that would enable enterprisers to do some long-term planning. To quote Art Laffer, gold convertibility would be "a sort of insurance policy for the quality of money." But Kemp, thinking in global terms, considers that the return to gold would have to be a decision made at some future Bretton Woods conference of the world's major economies.

While waiting for his flat tax proposals to revive enterprise everywhere, Kemp is pushing his concept of enterprise zones. The decaying inner cities, he says, would revive if businesses were to get tax breaks for starting new factories within their confines. The idea has already had a limited success in England. It is no substitute for making the whole North American continent—or, indeed, the world—a huge enterprise zone, but it would bring a certain improvement at the margin. Kemp can't figure out why the House of Representatives majority dominated by Speaker Tip O'Neill can't see it.

Kemp goes to Japan for corroboration of his ideas. Japan, he says, has the lowest tax burden of any industrialized country, "29 percent of the economy in 1981, compared with 34 percent in the U.S., 46 percent in France, and 45 percent in West Germany." Most capital gains in Japan are tax free, and so is the first $12,000 of interest income per person. The personal savings rate in Japan is almost 20 percent.

"Everything depends on incentives," says Kemp. That is the lesson of his book.

John Chamberlain's book reviews have been a regular feature of *The Freeman* since 1950. We are doubly grateful to John and to Henry Regnery for now making available John's autobiography, A *Life with the Printed Word.* Copies of this remarkable account of a man and his times—our times—are available at $6.00 from The Foundation for Economic Education, Irvington-on-Hudson, New York 10533.

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BEYOND LIBERAL AND CONSERVATIVE
by William S. Maddox and Stuart A. Lilie
(Cato Institute, 224 Second St., S.E., Washington, D.C. 20003), 1984
197 pages ■ $18.00 cloth

Reviewed by Charles H. Hamilton

YEARS AGO, Albert Jay Nock decried "the managed glossary of politics." It is still with us as terms like "conservative" and "liberal" are used almost exclusively to describe all manner of political attitude and philosophy. Adding a multitude of prefixes—thus inventing new liberals, old conservatives, neo-conservatives, and so forth—has merely added to the confusion. The usual two-term continuum of the political spectrum does not work. They have become what Jeremy Bentham called "impostor-terms."

Now two political scientists have presented a more complete perspective. Maddox and Lilie use four terms based on a person's attitude on two issues: government intervention in economic affairs and on the expansion of personal freedom. (The latter dimension is the most unsatisfactory, since the authors don't make clear whether government involvement expands personal freedom or eliminates it.) In such a matrix, the authors posit, conservatives oppose economic interventionism but support restrictions on personal freedom; liberals support economic interventionism but oppose restrictions on personal freedom; libertarians oppose both economic interventionism and restrictions on personal freedom; and finally, populists support both governmental intervention in the economy and restrictions on personal freedom.

Using this framework, the authors found that the public was made up of 24% liberals; 26% populists; 18% libertarians; and 17% conservatives. The authors are able to explain the apparent contradictions that plague election results and opinion polls: John Anderson's impressive support from "liberals" and "conservatives" in 1980, and Gary Hart's perplexing degree of success in 1984. Indeed, the implications of Reagan's victory are best understood when one views it as an uneasy alliance of libertarians and populists with a minority of conservatives.

The authors analyze a massive amount of public opinion survey data using their four categories. The results are a fascinating reinterpretation of recent political history and of the opinions that Americans hold. The authors show that over the past couple of decades there has been an increasing appreciation for the importance of economic and personal freedom issues. And their comments on the so-called baby-boom generation suggest that these concerns

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have the potential for becoming much more important in the years ahead. This is heartening news.

More interesting, and much more important, are some of the implications one can derive from the four categories for discussions of political philosophy and values. The "impostor-terms" of the past perpetuate a confusion about the nature and interrelatedness of freedom. Maddox and Lilie go a long way in the direction of clarifying the philosophical and value content of political labels. Because they are limited by the constraints of the survey data they use, they cannot go far enough. Hopefully, surveys in the future will be more philosophically consistent.

If the authors are right that economic issues may become subordinated to issues of personal freedom in the coming years, then it is especially important that the case for the intimate interdependence of economic and personal freedom be clearly articulated. We cannot have one without the other. There is great need to explain further the key distinction between government intervention in economic *and* personal freedom issues, and a free market social system dedicated to genuine personal freedom and initiative.

Maddox and Lilie have developed a first-rate framework for using political labels and have analyzed as best they could how they apply to American political attitudes. Given the massive changes in attitudes over the last decade, and the prospect that these will continue, the book is an invaluable aid in planning how to present the freedom philosophy to a new and eager generation.

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